DOMESTIC AGRICULTURAL SUBSIDIES IMPACTS
ON NATIONAL SECURITY OBJECTIVES
RELATIVE TO THE SOUTHCOM AOR

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Strategic documents and policies, from the United States National Security Strategy down to the SOUTHCOM Commander's Posture Statement to Congress, recognize the role of economic development and liberalized trade in promoting global and regional security. However, domestic agricultural subsidies appear to negate or limit potential positive impacts of free trade agreements in the SOUTHCOM AOR. Two questions arise from this apparent disparity. First, are domestic agricultural subsidies detrimental to free trade and trade liberalization in the SOUTHCOM AOR? Second, what role should the Department of Defense, specifically the Combatant Commander, assume in shaping domestic issues which undermine national defense objectives within a given AOR? Academic research and historic data confimed a statistically significant positive relationships between trade liberalization and economic growth and between economic growth and stability. However, domestic policies which limit the ability of free trade agreements to increase regional stability do not necessarily threaten United States national security. The SOUTHCOM Commander should attempt to influence domestic policies that foster instability within his AOR when such policies threaten United States national security.

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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)

ABSTRACT

DOMESTIC AGRICULTURAL SUBSIDIES IMPACTS ON NATIONAL SECURITY OBJECTIVES RELATIVE TO THE SOUTHCOM AOR, by Major Philip W. Goddard, 103 pages.

Strategic documents and policies, from the United States National Security Strategy down to the SOUTHCOM Commander's Posture Statement to Congress, recognize the role of economic development and liberalized trade in promoting global and regional security. However, domestic agricultural subsidies appear to negate or limit potential positive impacts of free trade agreements in the SOUTHCOM AOR. Two questions arise from this apparent disparity. First, are domestic agricultural subsidies detrimental to free trade and trade liberalization in the SOUTHCOM AOR? Second, what role should the Department of Defense, specifically the Combatant Commander, assume in shaping domestic issues which undermine national defense objectives within a given AOR? Academic research and historic data confirmed statistically significant positive relationships between trade liberalization and economic growth and between economic growth and stability. However, domestic policies which limit the ability of free trade agreements to increase regional stability do not necessarily threaten United States national security. The SOUTHCOM Commander should attempt to influence domestic policies that foster instability within his AOR when such policies threaten United States national security.

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ACRONYMS

AAA	Agricultural Adjustment Act
AOR	Area of Responsibility
CAFTA-DR	The Dominican Republic – Central America – United States Free Trade Agreement
CJCS	Chairman of the Joint Chiefs of Staff
FM	Field Manual
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IATP	Institute for Agriculture and Trade Policy
JIATF-S	Joint Interagency Task Force - South
JFC	Joint Force Commander
JOA	Joint Operations Area
JP	Joint Publication
MCWP	Marine Corps Warfighting Publication
MOOTW	Military Operations Other Than War
NAFTA	North American Free Trade Agreement
SOUTHCOM	Southern Command
US	United States
WTO	World Trade Organization

ILLUSTRATIONS

CHAPTER 1

INTRODUCTION

Problem Statement

The *United States National Security Strategy, National Defense Strategy, National Military Strategy*, and *Southern Command (SOUTHCOM) Commander's Posture Statement to Congress* all recognize the importance of economic development and liberalized trade in promoting global and regional security, ultimately furthering the United States' interests. However, domestic agricultural subsidies appear to negate or undermine the potential positive impacts of free trade agreements in the SOUTHCOM area of responsibility (AOR).

Primary Research Question

Are domestic agricultural subsidies detrimental to free trade and trade liberalization in the SOUTHCOM AOR? If so, what role should the Department of Defense, specifically the Combatant Commander, assume in shaping domestic issues that undermine national defense objectives within a given AOR? Additionally, what is the most effective course of action that a Combatant Commander, specifically in this case the SOUTHCOM Commander, should pursue to maximize the unity of effort between the military aspect of national power and domestic policies that impact regional security concerns?

Background

The *United States National Security Strategy, National Defense Strategy, National Military Strategy*, and the *SOUTHCOM Commander's Posture Statement to*

Congress all recognize the importance of economic development and liberalized trade in promoting global and regional security, ultimately furthering the United States' interests. However, domestic agricultural subsidies appear to negate or undermine the potential positive impacts of free trade agreements in the SOUTHCOM AOR. The SOUTHCOM Commander's comments regarding the necessity to aggressively pursue trade liberalization agreements within the SOUTHCOM AOR appear well integrated with not only national strategic documents, but similarly well integrated with emerging doctrinal trends within the United States Army. Given the recognized importance of unifying military operations with other governmental and non-governmental efforts, the role of the Department of Defense leadership, to include the SOUTHCOM Commander, for influencing domestic programs that appear to directly impact regional security concerns deserves examination.

The United States Executive Branch recognizes the necessity of effectively integrating all elements of national power (diplomatic, informational, military, and economic) in order to achieve national strategic ends. As such, the Department of Defense, to include the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Commander of SOUTHCOM, recognizes the United States' military strategy must account for the interdependency of various United States government agencies to work in coordinated effort to achieve the highest level of effectiveness. The Department of Defense's recognition of such interdependencies is evident throughout strategic guidance at each level, from the *National Security Strategy* down to the *SOUTHCOM Commander's Posture Statement to Congress*. Each document explicitly addresses the need not only for unity of effort within the branches of the Department of Defense, but

also the need for inter-agency coordination. The need for inter-agency coordinated effort is particularly valuable in the SOUTHCOM AOR due to the nature of the political and economic concerns within the AOR relative to military objectives.

Admiral James Stavridis, Commander of United States Southern Command, has identified the susceptibility of numerous nations within SOUTHCOM to serve as fertile grounds for terrorist and extremist groups to operate and expand.[1] This susceptibility is due in large part to the economic conditions that present favorable circumstances for such groups to exploit the desperations and feelings of disempowerment common to impoverished segments of societies.[2] Admiral Stavridis thus outlined to Congress the necessity for integrating the efforts of United States government agencies within the AOR to address the economic conditions that serve to threaten the achievement of not only SOUTHCOM objectives, but also the national objectives outlined within the *National Security Strategy*.[3]

SOUTHCOM is not currently a large scale contributor of forces or resources in relation to the "long war." However, most operations within SOUTHCOM address the need to improve the stability of host nation governments.[4] Such stability is likely not achievable through purely military ways and means. Thus, military operations within SOUTHCOM are often supporting efforts in relation to the efforts of United States government agencies outside the Department of Defense. United States military operations that are not supportive in nature are nonetheless generally shaping operations. Admiral Stavridis, by focusing on operations which target the political and economic stability of impoverished nations within SOUTHCOM, is attempting to address potential threats to United States security prior to escalation of tensions that require a more

traditional military engagement requiring application of force. However, when United States domestic policies are not aligned with the diplomatic, informational, military, and economic efforts of the military and other agencies within the SOUTHCOM AOR, a coherent and productive effort is not present.

CAFTA-DR, NAFTA, and the WTO

The United States is pursuing free trade agreements targeting nations within SOUTHCOM that intend to increase the economic stability and reduce the poverty of participatory nations. The Central American Free Trade Agreement, or CAFTA-DR (the DR added with the inclusion of the Dominican Republic), intends to liberalize trade between the United States, Central America, and the Caribbean. However, opponents of CAFTA-DR have been vociferous, in both the United States and Central American nations' political bodies and populations.[5] Such opposition parties often reference the weaknesses they perceive for similar agreements, such as the North American Free Trade Agreement (NAFTA), to effectively address the inconsistencies of domestic agricultural subsidies in the United States in relation to the free trade principles such agreements claim to pursue. Federally funded United States domestic corn subsidies are an often cited example of how such policies are detrimental to the success of free trade agreements to provide the economic and political stability that all participating nations presumably pursue. In response to such inconsistencies, further trade liberalization arrangements encounter high levels of opposition both domestically and abroad.

After years of debate, the North American Free Trade Agreement took effect January 1, 1994.[6] NAFTA intended to reduce tariffs and ease the flow of goods across international borders for the United States, Mexico, and Canada.[7] However, NAFTA

faced internal opposition within each participating nation, particularly within the United States House of Representatives.[8] Opposition was primarily in response to concerns from labor unions and groups representing nationalist protectionist views, such as concerned members of the agricultural sector.[9]

Agricultural issues were perhaps the most contentious of all issues during NAFTA negotiations. Prior to NAFTA taking effect in 1994, each of the participating governments realized agricultural subsidies were unique and presented trade barrier issues they must address independent of other issues. Agricultural provisions were the only portion of the NAFTA agreements the participatory nations could not settle trilaterally, thus requiring three separate agreements, each bilateral in nature.[10] Under NAFTA guidelines, participatory nations would reduce agricultural subsidies and tariffs in a phased manner over a 15-year period, to allow Mexican and American farmers and their respective economies to adjust slowly.[11] As the 15-year timeline approaches completion, NAFTA is again controversial, in large part due to the apparent consequences, whether intended or unintended, of NAFTA regarding agricultural issues, such as concerns regarding the corn industry and the impacts of NAFTA relative to Mexican corn farmers unable to compete with subsidized corn farmers in the United States.

Each year, the United States spends more than $10 billion to subsidize domestic corn farmers.[12] Such fiscal policy on the part of the federal government of the United States allows corn farmers in the United States to sell corn at prices well below production costs.[13] Currently, the average export price for United States' corn is approximately 19 percent below the cost of production and has been as high as 33 percent

below the cost of production; a major disadvantage for Mexican farmers, as the entire agricultural budget for Mexico is less than 10 percent of the United States' corn subsidization budget.[14] In response, Mexican corn farmers have reduced their corn prices by an average of 70 percent from the price levels prior to NAFTA.[15] However, the more than 15 million Mexicans, approximately 13.6 percent of the population,[16] who rely on corn farming as their primary means of income, face even greater disadvantages due to lack of infrastructure within Mexico regarding ground transportation, both wheeled and rail.[17] The United States is certainly not obligated to somehow compensate for the lacking infrastructure or other inherent disadvantages of its trading partners. However, the United States must be aware of the combination of factors that impact free trade agreements and their associated outcomes. Thus, Mexican farmers, who face higher transportation costs and less opportunity for vertical integration to capture greater margins and reduce total production costs, must also contend with imported corn from the United States whose prices are artificially low due to large subsidies by the United States government.

The United States' subsidization of the domestic corn industry has led to charges of dumping by adversely affected Mexican industries.[18] However, the charge of dumping is somewhat inconsistent with the true definition of dumping and more consistent with export subsidization. The World Trade Organization (WTO) defines dumping as, "selling abroad at 'less than fair market value.' The determination of less than fair market is a price that is below that of the like product when the product is sold in the home market of the exporter."[19] Because the United States subsidizes corn production for export and domestic use, the charge of dumping is not necessarily accurate.

Additionally, the majority of corn the United States exports to Mexico is for agricultural use, such as animal production.[20] Yet, the United States does not limit corn subsidization based upon end use. Thus, the standards for corn are not uniform and one could interpret the definition of like product based upon the actual end use of the product. However, the international community views dumping and export subsidization quite similarly, as the outcomes of such actions are closely aligned.[21]

The WTO views dumping and export subsidization quite negatively, stating, "Fundamentally, dumping and subsidization are inconsistent with the GATT/WTO principal that international trade flows be based on market forces and not on government or other interventions. Such activity fails the perception of fairness, and unless viewed as fair, nations with market economies will not long support an open world-trade regime."[22]

According to WTO standards, the United States, by subsidizing export industries, is preventing truly free trade and perceptions of fair trade. Therefore, such subsidies are inherently opposed to the likely success of free trade agreements. Generally, such subsidies lead to retaliatory measures, which often include the implementation of higher tariffs. However, even if the United States does not face international grievance procedures for the apparent discrepancies of domestic corn subsidization relative to NAFTA principles for agricultural trade, the impacts of such discrepancies are recognizable when one considers the difficulties the United States encountered when attempting to implement other free trade agreements within the SOUTHCOM AOR, such as CAFTA-DR.

The United States ratified CAFTA-DR on August 2, 2005 after considerable internal political opposition. The United States Senate approved CAFTA-DR with a vote

of 54 in favor and 45 opposed,[23] while the House of Representatives approved CAFTA-DR by a vote of 217 in favor and 215 opposed.[24] Political opposition to CAFTA-DR was largely a response to the perceived shortcomings of NAFTA to positively impact the economic strengths of the involved nations, as well as NAFTA's inability to reduce the flow of immigrants into the United States from Mexico by providing viable employment opportunities within Mexican borders.[25] Data suggest that job creation in Mexico, particularly in cities located within free trade zones along the United States and Mexican border did ensue.[26] However, such jobs were largely in manufacturing sectors, while Mexican farmers experienced sizable declines in income due to the severe cuts in corn prices necessary to compete with United States' agricultural exports.[27]

Many Central American countries were less inclined than the United States to approve CAFTA-DR. In 2006, El Salvador led the way for approving CAFTA-DR, with Honduras, Nicaragua, and Guatemala approving it in the following two months.[28] The Dominican Republic agreed to CAFTA-DR in March of 2007, and Costa Rica became the last country to ratify on October 7, 2007 with a popular vote of 51 percent in favor and 49 percent opposed.[29] Panama and Belize remain the only Central American countries to abstain from CAFTA-DR membership. Many Central Americans voiced their concerns regarding the agricultural implications of CAFTA-DR, influencing public and political opinions both domestically and abroad. In May of 2004, a group of nine Central American advocacy organizations released a joint position paper opposing CAFTA-DR, on the grounds that it would lead to a loss of agricultural competitiveness in Central American countries by constraining the ability of Central American governments to use domestic agricultural subsidies and import tariffs to prevent the loss of jobs in

agricultural sectors unable to compete with the subsidized United States firms who benefit from better infrastructure and economies of scale.

NAFTA and CAFTA-DR are not the only trade agreements that significantly impact trade relations between the United States and countries within the SOUTHCOM AOR. The United States is also a member of the World Trade Organization (WTO), which similarly to NAFTA and CAFTA-DR, pursues liberalized trade, albeit on a much larger scale. However, the United States' domestic agricultural subsidies again have undermined the effectiveness of such trade liberalization, impacting both perceptions of participants and the willingness of nations to accept United States political and diplomatic stabilization efforts. A primary example is the current grievance Brazil is pursuing in relation to United States cotton subsidies and alleged violations of WTO agreements. Despite numerous findings in favor of Brazil's stance, the United States continues to engage in domestic agricultural programs that appear to not only violate international trade agreements, but also undermine the effectiveness of other agencies working to cohesively integrate elements of national power.

Historically, the United States practiced protectionist policies that inhibited the freedom of trade necessary to encourage or exploit potential global efficiencies.[30] However, as the industrial revolution and improvements in transportation and agricultural production practices changed the ability for businesses and nations to create and sustain competitive advantages and economies of scale, the effect of trade on dictating sectors of production within various nations eventually overcame many of the impediments to truly free trade. Following World War II, the United States was still hesitant to enter into an international trade organization, due to fears concerning loss of sovereignty regarding

trade issues.[31] However, in 1947 the United States agreed to join the General Agreement on Tariffs and Trade (GATT) and work to lower barriers to trade, particularly tariffs.[32] In 1995, following eight rounds of discussions and agreements, the GATT nations agreed to form the WTO in order to provide regulatory oversight and conflict resolution for trade issues between member nations.[33] The final two rounds of the GATT, the Tokyo Round and the Uruguay Round focused largely on subsidies, anti-dumping, and agricultural concerns.[34] The eighth and final round of negotiations, the Uruguay Round, lasted eight years from 1986-1994.[35] The length of the negotiation reflects the complexities of multi-national trade agreements, as nations seek concessions while simultaneously being conscious of the political implications of free trade regarding domestic industries that are likely to suffer as a result. As developed nations such as the United States sought to protect intellectual property rights, developing countries sought to establish a more competitive position in agricultural exports by limiting the agricultural subsidies of wealthier nations.[36] Developing countries also sought to gain "special and differential" treatment to provide some advantages in regulatory guidelines relative to wealthier nations.[37]

Since the Uruguay Round and establishment of the WTO, the United States has been the target of continued accusations regarding adherence to agricultural agreements. In 2002, Brazil filed a complaint with the WTO regarding the United States' subsidization of its domestic cotton industry.[38] The WTO ruled that numerous aspects of the United States' cotton program violated provisions of WTO agricultural agreements, as they did not conform to the agreed upon standards for agricultural subsidies adopted by member nations following the Uruguay round.[39] The WTO ordered the United States

to make significant changes in order to comply. However, Brazil, with the support of other nations, contended that the United States failed to comply with the required changes and therefore sought disciplinary action from the WTO against the United States.[40] On March 3, 2005, the WTO again ruled in favor of Brazil, finding that the United States' continued subsidization of the domestic cotton industry violates the agreements of the Uruguay Round.[41] This finding cleared the way for retaliatory measures by Brazil against the United States and the legalization of increased trade barriers among member nations of the WTO, to include other nations within the SOUTHCOM AOR.[42] The United States is now in the final stage of appeal and does not appear to have significant evidence to disprove Brazil's claims or give cause for overturning prior findings regarding such claims.[43]

The United States' difficulty in reaching suitable resolutions to the issues regarding free trade disputes and associated agricultural subsidies threatens to undermine the trade liberalization goals necessary for achievement of national strategic ends as outlined in the *National Security Strategy*. This is particularly troubling due to the evolving nature of United States military doctrine concerning the increased role of stability operations and the economic influences on military ends for such operations. The disjointed relationship between the *National Security Strategy* and domestic agricultural subsidies represents a significant impediment to the SOUTHCOM Commander's ability to ensure unity of effort or a whole government approach to stability concerns within his area of responsibility.

Current Applicability and Significance

The United States Army recognizes the importance of stability operations in relation to the current and future challenges it faces and will face for the foreseeable future. The recent release of Field Manual (FM) 3-07, *Stability Operations*, on October 6, 2008, a field manual dedicated to the doctrine of stability operations and the first of its kind in the United States Army, is evidence of the Army's recognition of the increased importance of stability operations in achieving strategic success. Additionally, the Army's most recent field manuals for *Operations*, FM 3-0 released in February of 2008; *Counterinsurgency*, FM 3-24 released in December of 2006; and *Training for Full Spectrum Operations*, FM 7-0 released in December of 2008, place unprecedented emphasis on the need to integrate stability operations into all forms of Army operations. Throughout such doctrine, the Army recognizes the importance of integrating military means and ways with other elements of national power to achieve the best strategic results.

The SOUTHCOM AOR is a region of particular interest for realizing the most recent doctrinal approach to combating terrorism and ensuring stability within areas prone to instability due to economic concerns. The SOUTHCOM Commander's concerns regarding the correlated vulnerabilities of such populations with regard to terrorist activities are apparent throughout his statements and actions. Similarly, the strategic approach to winning the "long war" by proactively addressing the conditions that lead to conflict, rather than reacting to escalations in violence, lends credence to the "whole of government" approach within the SOUTHCOM AOR.

The SOUTHCOM AOR is currently not a high visibility region regarding the United States' footprint of military forces and resources. The United States is not currently involved in any high intensity conflict within the SOUTHCOM AOR and no large scale offensive or defensive operations are on-going. Thus, one could view the SOUTHCOM mission as a nearly exclusively stability-focused operation. As Admiral Stavridis informed Congress, "Our mission is straight-forward: to promote security cooperation and conduct military operations with the 32 nations and 13 territories in the region to achieve U.S. strategic objectives. Our mission enhances security and stability in the Western Hemisphere and, in so doing, ensures the forward defense of the United States."[44]

SOUTHCOM is an example of approaching strategic ends utilizing unity of effort in which military efforts are generally supportive in nature, as symbolized by the Joint Interagency Task Force South (JIATF-S). However, the unity of effort for SOUTHCOM forces and agencies operating in the AOR appears undermined by domestic agricultural subsidies. Thus, if a problem regarding the relationship between national strategic ends and domestic agricultural subsidies does exist, and the problem is negatively impacting the security of the United States by increasing the instability of the region or fostering conditions that are likely to undermine United States interests, the United States military should be concerned and seeking viable solutions.

Assumptions

Although the SOUTHCOM AOR is diverse by nature, this thesis assumes the region as a whole lies within the lower intensity portion of the spectrum of conflict. Additionally, although the United States has military forces conducting operations

throughout the AOR, no operations appear to be taking a defensive or offensive posture; the focus throughout SOUTHCOM appears to be stability. Therefore, this thesis further assumes missions within the AOR to be similar enough in nature that no portion of the AOR is exempt from the stability focus of the Combatant Commander. This assumption is necessary for a determination of viability concerning any recommendations the Combatant Commander might consider or pursue due to the nature of the AOR and the mission focus throughout the region.

This thesis assumes the WTO will not fully resolve the dispute and relative findings regarding United States domestic cotton subsidies in a manner to achieve full compliance on the part of the United States within the next year. However, if the United States does unexpectedly comply, this thesis further assumes the United States' domestic corn subsidization policy will continue. Thus, this thesis assumes the United States is not on the verge of completely reconciling domestic agricultural subsidies in relation to other nations' concerns and that such subsidies will continue to impact the SOUTHCOM AOR and future free trade agreements within the region. This assumption is necessary for the relevance of the case study approach and future impacts on the AOR.

This thesis assumes the role of Combatant Commanders will not change significantly within the next year in regards to shaping domestic budget policies. This assumption is necessary for defining the role of the Combatant Commander relative to problems and solutions throughout the SOUTHCOM AOR.

This thesis assumes the SOUTHCOM AOR boundaries will not change significantly in the near future. This assumption is necessary for any recommendations specific to the SOUTHCOM AOR.

Definitions

Dumping: to sell goods at an artificially low price with the intent of placing similar goods from another seller at a disadvantage within a competitive market.

Long War: term used within the National Security Strategy and the National Strategy for Combating Terrorism, referring to the United States' commitment to combating terrorism for the foreseeable future, by using elements of national power persistently and for a prolonged period of time.

Pareto Efficient: given a set of possible resource allocations, a change from one allocation distribution set to another which results in at least one party improving its position without harming another party's position is Pareto improvement. When no party can improve its allocation of resources without harming another party's allocation, the distribution set is Pareto efficient.

Subsidy: government aid designed to enhance the economic viability of a particular individual, business, or industry.

United States Southern Command Area of Responsibility (SOUTHCOM AOR): "North American land mass south of Mexico, South America, waters adjacent to Central and South America, the Caribbean Sea, and islands within the waters excluding Puerto Rico and Cuba."[45]

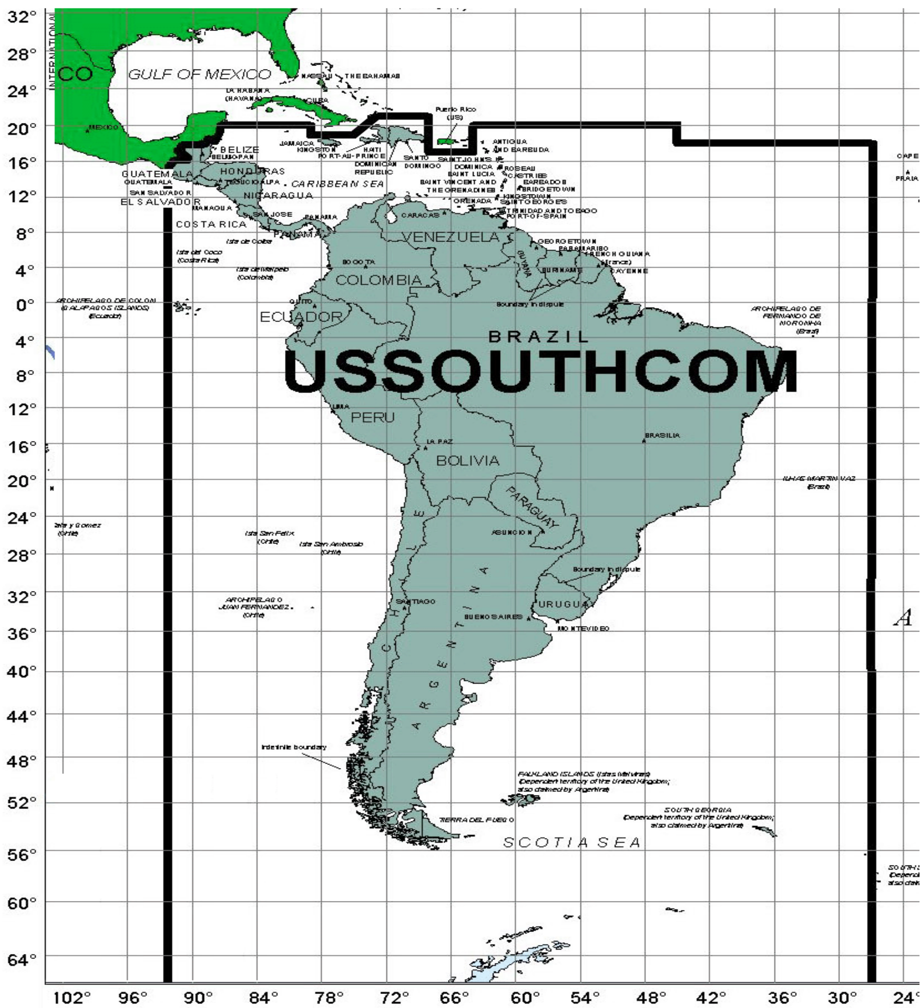

Figure 1. SOUTHCOM AOR
Source: SOUTHCOM, Facts and Figures, http://www.southcom.mil/PA/Facts/AOR.htm (accessed May 2, 2009)

Limitations

This thesis will focus primarily on two cases of domestic agricultural subsidies which appear to most significantly impact international concerns regarding trade liberalization within the SOUTHCOM AOR. Domestic corn subsidies and cotton

subsidies will be the primary cases due to the preponderance of information regarding the impacts of such subsidies on new and future trade agreements.

This thesis will address the concerns of security and economic policy as an instrument of national power, specifically focusing on the impacts for the SOUTHCOM Commander. Although some cases and evidence will lie outside the SOUTHCOM AOR, the analysis will focus on the impact within the SOUTHCOM AOR.

Delimitations

This thesis will attempt to establish correlations and relationships between security and trade liberalization based on evidence and accepted economic principles. However, this thesis will not pursue a comprehensive regression or econometric approach to modeling all potentially correlated or statistically significant independent variables. This is due to the nearly limitless independent variables that might or might not be appropriate or pertinent, the nature of the question being examined, and the presumption that a Combatant Commander does not or should not impact or control many of the independent variables that might demonstrate statistical significance.

This thesis will only address domestic subsidies from the perspective of the United States and trade liberalization efforts that involve the United States and SOUTHCOM nations. This thesis will not examine in-depth trade liberalization efforts involving SOUTHCOM nations, but to which the United States is not a significant party.

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CHAPTER 2

LITERATURE REVIEW

Introduction

This chapter will examine current information and existing analysis relative to the primary research question, while also considering various positions to include non-governmental agencies, governmental agencies, and the United States military. The chapter will not only examine general principles and commonly accepted conclusions, but also determine how recent trends concerning the combination of elements of national power to achieve strategic ends, both militarily and nationally, have impacted the military.

In order to determine whether free trade agreements are effective means for implementing diplomatic and economic ways to complement military ways and means in achieving strategic ends, one must examine the impacts of trade liberalization. Additionally, one must consider and examine the intended consequences of integrating elements of national power to determine whether the United States is implementing policies that effectively recognize the relationships between elements of national power and if such policies are in accordance with stated objectives relative to the Department of Defense and the United States Executive Branch. Once an examination of established principles and developing trends is complete, analysis concerning the actual implementation and recommendations for possible improvements will be possible.

Free and Fair Trade in the Global Economy

In his book *International Political Economy: Interests and Institutions in the Global Economy*, Thomas Oatley discusses three primary approaches to national governments' use of economic means to achieve political ends. The first approach is Mercantilism. Mercantilists argue that economic strength is critical to national power and that trade through exports, particularly specific types of exports such as manufacturing, is the best way for a nation to build wealth and consequently power.[1] This approach is not aligned with truly free trade, as it advocates the proper role of government should include protecting some market segments at the expense of others. A second approach Oatley discusses is Marxism. The Marxist school of thought views free international trade within capitalist societies as a mechanism which promotes wealth concentration and ultimately undermines the quality of life and progress of the labor pool necessary for specialized production. Marxists advocate government intervention into capitalist markets to limit wealth concentration and instead pursue social equalities over profit maximization.[2] Thus, Marxist theory is not well aligned with trade liberalization principles of specialization and efficiency of production. The final approach to international trade is Liberalism.

Liberalism largely reflects David Ricardo's concept of comparative advantage, the belief that trade allows the most efficient means of production and a higher level of utility for participatory parties.[3] In 1817, Ricardo's *On the Principles of Political Economy and Taxation* introduced the concept of comparative advantage, ironically, as a response to British agricultural protectionist laws.[4] In describing Liberalist thought, Oatley summarizes, "Liberalism argued that the purpose of economic activity was to

enrich individuals, not to enhance the state's power . . . governments should make little effort to influence the country's trade balance or to shape the types of goods the country produces. Government efforts to allocate resources will only reduce national welfare."[5] In essence, according to Liberalists, the ideal economy is a global economy in which free trade rewards maximum efficiency of production, thereby increasing the overall welfare of every nation through specialization and increased utility available from a finite resource base.

Proponents of free trade, such as Ricardo and Edmund B. Fitzgerald, often highlight the potential impacts of free trade and globalization for improving global production, consumption, and living standards, thus espousing the Liberalist argument. A chief benefit of the global economy is the economic shift toward maximizing the efficiencies of production. Reductions in global barriers create a less encumbered trading atmosphere in which each sovereign economy has a natural inclination and economic incentive to focus domestic production on goods and services for which a comparative advantage exists.[6]

In his book, *Globalizing Customer Solutions: The Enlightened Confluence of Technology, Innovation, Trade, and Investment,* author Edmund B. Fitzgerald summarizes the benefits of the global economy concerning comparative advantage by stating, "The capability of trade to contribute to economic welfare derives from the three dynamics inherent in the process of international exchange: specialization, competition, and economic adjustment."[7] He goes on to state, "Specific nations and specific enterprises enjoy comparative advantage in the production of certain products and services. By concentrating on the production of these products and services for both

domestic consumption and export, these nations and enterprises can achieve economies of scale and the optimal utilization of national and enterprise resources."[8] He concludes, "By importing products and services in which other nations or enterprises enjoy comparative advantage and economies of scale, these nations and enterprises can enhance their economic efficiencies. Such practices reinforce the concept of converting global inputs into outputs for global markets just as efficiently and effectively as possible."[9]

According to Fitzgerald and Liberalist theory, the reduction in trade barriers allows each unique economy to flourish by concentrating on the areas in which it is most apt to succeed. The benefits of free and fair trade are found in exports, as domestic production capabilities are able to access other markets and new consumer segments. The benefits are also found in imports, as domestic consumers have access to less expensive goods produced in foreign markets that enjoy a comparative advantage in the production of such goods. Thus, although the effects of free and fair trade are not necessarily symmetric, as the shifting of production and associated jobs can adversely affect some individuals, the overall impact should be positive.[10] For this theory to hold true however, the quality of the goods or services nations trade must be comparable, the associated costs for exportation must not outweigh the relative advantage in production costs, and the goods or services must be tradable. For many goods, to include the agricultural commodities of corn and cotton, the model of comparative advantage appears suitable and acceptable. Comparative advantage, specialization, and global trade are fundamental to the concept of globalization.

Globalization is a widely acknowledged trend throughout business and government, evidenced by increased trade, interrelated and correlated movements

between geographically separated economies and stock exchanges, and trends regarding shifts in labor and capital for multinational corporations that are somewhat minimally constrained by national boundaries. In his book *The World is Flat*, noted journalist and *New York Times* contributor Thomas Friedman describes the increasing momentum of globalization. He does not necessarily argue in favor of globalization, he simply analyzes the global impacts of technology on labor, production, consumption, trade, and investment. He then argues that those who embrace the changes and adapt accordingly will prosper and those who are overly protectionist will face future disadvantages. While Friedman does not advocate globalization as an all encompassing solution, he does present a predominantly Liberalist argument for the ability of trade liberalization to provide net positive impacts for those most willing to engage in a global economy. Thus, while globalization is more than just global trade with limited barriers, this aspect of globalization is certainly present within contemporary discussions of global economic and political trends, impacts, and implications.

However, not everyone accepts free trade as a positive economic force and many groups vociferously oppose decreased trade barriers and free trade agreements. In his book *The Selling of "Free Trade": NAFTA, Washington, and the Subversion of American Democracy*, author John R. MacArthur argues that NAFTA has produced many negative impacts. Because of decreased transportation costs and other technological innovations mentioned by Friedman in *The World is Flat*, labor is now more vulnerable to competition due to decreased trade barriers. MacArthur chronicles the impacts of NAFTA on both union and nonunion workers in the United States who are unable to complete with depressed wages within Mexico. Additionally, he discusses the problems

the United States faces enforcing labor laws abroad, examining how free trade agreements such as NAFTA can harm labor progress regionally or globally. While his argument is certainly not Marxist, MacArthur does argue that free trade agreements can serve to harm the labor force while disproportionately rewarding those with the most advantage in exploiting efficiencies of production through greater access to capital. Thus, while Freidman argues that domestic jobs lost to cheaper labor are eventually replaced by jobs requiring greater education or abilities, thus ultimately improving developed nations' economies, MacArthur outlines the immediate impact on domestic workers poorly equipped to find such jobs and the potential negative impacts within both labor markets regarding future progress.

Dr. Diego Sanchez-Ancochea, a lecturer on the political economy of Latin America at the London University Institute for the Study of the Americas, synthesizes opposing arguments and findings concerning the economic and societal impacts of free trade agreements (particularly trade agreements involving the United States and Latin American countries) in his article *Trade Liberalization and Economic Integration in the Americas: Causes and Consequences* published by the quarterly journal *Latin American Politics and Society*. In his article, Dr. Sanchez-Ancochea examines five books, each published between 2002 and 2004, which present diverse findings, data, and conclusions regarding free trade. His article examines the short and long term impacts of free trade agreements, noting how political consequences fueled by short term effects may undermine or prevent long term successes that appear theoretically sound. His article is significant to this thesis, based on the implication that short term impacts of free trade agreements negatively affect the ability of nations to negotiate or implement future free

trade agreements. His article also examines the unpredictability of free trade agreement consequences. He cites examples of free trade agreements providing no negative environmental impacts for developing nations despite increases in industrial production jobs and also cites counterexamples of environmental degradation for developing countries due to machinery that is less fuel efficient and technologically inferior for reducing pollutants. He similarly finds contradictory evidence for economic impacts on developing nations, providing evidence of wealth creation for poorer participants and evidence of wage depression. Dr. Sanchez-Ancochea concludes that free trade agreements and trade liberalization can produce positive and negative results not only for segments of societies, but also for nations and regions. He advises nations participating in free trade agreements to provide significant political oversight to manage the consequences of free trade agreements, asserting, "State intervention is extremely important to maximize the positive effects of economic integration and minimize the negative ones."[11] Dr. Sanchez-Ancochea's conclusions seem intuitive concerning the fact that economic mechanisms, no matter how theoretically sound, cannot produce long term positive effects if such mechanisms cannot survive the backlash of negatively affected parties who possess political clout.

As the three distinct economic theories in Oatley's book *International Political Economy: Interests and Institutions in the Global Economy* demonstrate, not all theorists are in agreement concerning how a nation should best approach economic policy to achieve political ends. However, recent United States strategic documents demonstrate a largely Liberalist espousal of economic theory regarding trade liberalization as an economic instrument of power. Such Liberalist ideology is apparent in the *National*

Security Strategy of the United States of America, which states the need to, "Limit the reach of government,"[12] and that "Economic integration spreads wealth across the globe."[13] The *National Security Strategy* goes so far as to state, "Economic freedom is a moral imperative."[14] To achieve such economic liberalization the *National Security Strategy* states, "Promoting free and fair trade has long been a bedrock tenet of American foreign policy,"[15] and, "We will continue to advance this agenda through the WTO and through bilateral and regional FTAs."[16] Given the United States' Liberalist political-economic agenda, this thesis must examine if free trade agreements and trade liberalization actually achieve economic growth and lead to stability or increases in democratic values and governance.

Trade Liberalization and Economic Growth

Participatory nations pursue trade liberalization efforts, such as free trade agreements, voluntarily, with each participant seeking to improve its unique conditions. Certainly free trade agreements do not exist within an economic vacuum void of any political implications. Thus, a nation can enter into a free trade agreement in pursuit of purely political ends, but this is generally not the case. Economic benefits are the predominant driving force for participatory nations, as Daniel Ikenson of the Cato Institute notes in his policy paper *While Doha Sleeps: Securing Economic Growth through Trade Facilitation*. Mr. Ikenson states, "Reductions in formal trade barriers have spurred dramatic increases in trade and investment during the past six decades. Most economists agree that a Doha Round accord that achieves further cuts in agricultural and industrial barriers would inspire even greater trade and growth, particularly among developing countries."[17] He goes on to note, "Countries with inadequate trade

infrastructure, burdensome administrative processes, or limited competition in trade logistics services are less capable of benefiting from the opportunities of expanding global trade. Companies interested in investing, buying, or selling in local markets are less likely to bother if there are too many frictions related to document processing or cargo inspection at customs."[18] Thus, the economic benefits of trade liberalization through the reductions to trade barriers are not simply confined to the concepts of economic efficiencies outlined by Ricardo and Fitzgerald.

While economically quantifiable barriers such as tariffs are certainly contributing factors for inhibiting trade, other factors (which are often not as easily accounted for), similarly inhibit trade. Nations or companies desiring to engage in international trade must consider not only the potential economic costs of overly burdensome trade barriers, but also the difficulties and frustrations that accompany the unpredictability associated with nations operating under unclear or even undefined trade conditions. Therefore, the financial and non-financial costs combine to inhibit trade, despite a potential for increased realization of Pareto efficiencies. Thus, nations use free trade agreements to overcome trade inhibiting issues that exist within the international community.

Free trade agreements exist in various forms. Bilateral agreements involve only two nations, generally focusing on specific industries of particular contention. Meanwhile, multilateral agreements can be regional in nature, such as NAFTA and CAFTA-DR, or quite broad in scope, such as the WTO. Thus, simply determining whether a country participates in a free trade agreement or numerous free trade agreements is not sufficient for examining economic growth correlations, as a given free trade agreement may be much more narrow in scope or impact in relation to another free

trade agreement. Thus, a more comprehensive examination of free and fair trade principles is beneficial for developing a correlation to economic growth. Therefore, a measurement of trade liberalization is appropriate, as most free trade agreements are forms of trade liberalization, although certainly the scope of targeted effects varies widely.

Numerous academic and public policy institutions conducted research on the effects of trade liberalization, with the vast majority of research falling within the time period of the 1960s to present. An example of the most current research on this topic is a research paper titled *Trade Liberalization and Growth: New Evidence** by Romain T. Wacziarg, an associate professor of economics at the Stanford Graduate School of Business, and Karen Horn Welch, Domestic Public Equity Director at Stanford Management Company. Their research confirms the positive effects of trade liberalization on economic growth, a nearly universal conclusion for research on this topic. However, a study in 2000 by Francisco Rodriguez, a professor in the Department of Economics at the University of Maryland, and Dani Rodrik, a professor for the John F. Kennedy School of Government at Harvard University, titled *Trade Policy and Economic Growth: A Skeptic's Guide to the Cross-National Evidence,* provided new and contradictory evidence to this common finding; hence the asterisk in the Wacziarg and Welch title. The Rodriguez and Rodrik findings appear to be contradictory to other findings due to differences in methodology for measuring the overall trade liberalization for countries.[19] Thus, this paper will use the research and definitions of trade liberalization measurements that appear to be the most accepted and prevalent within the academic community. Because the Wacziarg and Welch research is the most current and

appears to be a representation of the majority of research regarding trade liberalization and economic growth, this paper will expound upon their findings and conclusions.

To determine the level of trade liberalization for a country, Wacziarg and Welch used five criteria, which they call the Sachs and Warner criteria. In 1995, Harvard University professors Dr. Jeffrey Sachs and Dr. Andrew Warner published a Brookings paper titled *Economic Reform and the Process of Global Integration*, which greatly influenced future research regarding trade liberalization and economic growth. The Welch and Wacziarg research updates their findings, thus they use the criteria from Sachs and Warner's previous research.[20] These criteria are: Average tariff rates, percent of trade covered by non-tariff barriers, black market exchange rates relative to official exchange rates, state monopolization of major exports, and socialist economic infrastructure.[21] The authors examined data covering the time period of 1950 to 1998 and included 118 countries.[22] They concluded, "Liberalization dates, capturing episodes of discrete shifts in trade policy, can be useful to estimate the within-country response of growth."[23] Their findings are aligned with the majority of research in concluding the positive impact of increased trade liberalization on economic growth is statistically significant. They found the annual rates of economic growth increased by 1.5 percent on average, following significant increases in trade liberalization.[24] Their research concluded that the impacts of liberalization on economic growth were not independent of other variables, such as monetary policy or international macroeconomic conditions. Thus, not every free trade agreement is a guarantee of increased economic growth, as other economic and political variables can significantly impact economic growth. Nonetheless, increased trade liberalization is a statistically significant determinant of

economic growth. However, the United States' strategic approach concerning trade liberalization is not isolated to economic growth, as the ultimate endstate is increased stability and the spread of democratic values and governance.

<u>Economic Growth, Stability, and Democracy</u>

In June 2005, a number of previous United States Secretaries of State wrote a letter titled *Former Secretaries of State for CAFTA* to the United States Congress urging its support for CAFTA-DR. The Secretaries expressed their unified opinion that a strong free trade agreement with regional neighbors was instrumental to realizing increased security for the United States and its citizens. Within the introductory paragraph, the former appointees stated, "A stable, democratic and growing Central America and Caribbean Basin not only helps the peoples of a region too long steeped in poverty and violence, but it also strengthens the United States economically and provides greater security for our citizens. CAFTA-DR represents a unique opportunity for the United States to support this impressive transformation."[25] Certainly their support lends credence to the suggestion that economic viability is inherently linked to social stability and decreased susceptibility to terrorist activities by the citizenry. However, this relationship should not be merely an assumption. This thesis will examine the evidence to support such theory.

When analyzing the statistical evidence regarding correlations between political stability and economic growth, one must account for the necessity to determine the dependent variable and the independent variable. In essence, a positive correlation may exist, yet the determination that economic growth leads to political stability might conversely be modeled to show the ability of political stability to foster economic growth.

By developing a simultaneous equation model, Dr. Yi Feng, a professor at Claremont Graduate University School of Politics and Economics, in his paper *Democracy, Governance, and Economic Performance: Theory and Evidence*, attempted to account for the multicollinearity and reciprocal relationships present when one examines the causal relationships between stable governance, economic growth, and democratic principles for state actors.[26] To do so, Feng examined the data for 96 countries during the time period of 1960 to 1980.[27] After accounting for multicollinearity between the three data sets (establishment of democracy, political stability, and economic growth), he concluded that democracy is not a strong predictor of long term future economic growth if democracy does not bring about an increase in political stability.[28] However, a positive relationship between economic growth and political stability does exist, and that economic growth is a reliable predictor of political stability, regardless of the exact form of government.[29] Feng's study does not imply that economic growth is a guarantee of political stability, only that a positive relationship between economic growth and political stability exists for the countries he studied within a given time period and with statistical significance. His study is not a comprehensive econometric analysis capable of establishing a multi-variable regression to account for all possible predictors of economic growth. However, his study does support the intuitive notion that economic growth is more likely to increase domestic stability as a larger portion of the populace has access to increased standards of living and gains confidence in the nation's political mechanisms and leadership. Feng's study appears to be in agreement with similar studies that failed to establish a strong positive correlation between economic growth and increases in democratic governance and values, particularly within less developed nations. This

implication is profound for the United States and its military in relation to the *National Security Strategy* and the military.

While the spread of economic growth and political stability is generally presumed to be beneficial to the United States, the inclusion of democracy in this equation is also important. The *National Security Strategy* features two pillars. The first pillar is "promoting freedom, justice, and human dignity – working to end tyranny, to promote effective democracies, and to extend prosperity through free and fair trade and wise development policies."[30] The second pillar is "confronting the challenges of our time by leading a growing community of democracies."[31] Thus, the national leadership appears to presume that democratic ideals and economic liberalization are inherently connected. As such, military doctrine has incorporated the principles of economic liberalization to pursue stability and security in support of national strategic ends.

<u>Doctrinal Recognition of Free and Fair Trade Principals</u>

In October 2008, the United States Army released a field manual specifically dedicated to stability operations. Within the first paragraph of the introduction, FM 3-07, *Stability Operations*, makes note of the importance of economic conditions in relation to stability.[32] FM 3-07 goes on to further define the role of economic conditions and specifically free trade in supporting the *National Security Strategy* and achieving stability by citing the need to "extend prosperity through free trade" and stating "the most effective long-term measure for conflict prevention and resolution is the promotion of democracy and economic development."[33] Indeed, the stability doctrine specifically outlines five fundamentals, one of which is, "support to economic and infrastructure development."[34] Commanders are specifically tasked to devote time and resources to

pursue stability through agricultural development programs.[35] However, based on the principles of free trade, domestic subsidies of United States agriculture complicate the feasibility of such tasks, if the agricultural products compete in the marketplace. The Army's doctrinal methods to achieve economic development are not limited to free trade, as FM 3-07 also outlines the need for "an effective and predictable regulatory and legal environment."[36] Thus, the Army's newest doctrine appears to recognize the potential discrepancy between fostering stability and the international community's interpretation regarding domestic cotton subsidies by the United States and violations of the WTO free trade agreement framework, as this thesis will expound upon in chapter 4.

Army doctrine also recognizes the Army's need to integrate its efforts with the efforts of other entities pursuing United States national interests. FM 3-07 introduces the concept of "a whole government approach." FM 3-07 defines this concept as "an approach that integrates the cooperative efforts of the departments and agencies of the United States Government, intergovernmental and nongovernmental organizations, multinational partners, and private sector entities to achieve unity of effort toward a shared goal."[37] The Army is thus operating under the assumption that unity of effort throughout all government agencies is not only possible, but is the best approach to achieving the desired ends of the nation. Of particular note is the fact that this approach does not discriminate between domestically and internationally focused agencies of the United States government. FM 3-24, *Counterinsurgency*, provides further doctrinal guidance to commanders, listing government agencies that the Army should consider and coordinate with when possible (although this guidance is specifically tailored to counterinsurgency operations). The United States Department of Agriculture is one

agency of the 14 agencies FM 3-24 specifically mentions.[38] However, the role of military commanders, to include Combatant Commanders, is generally not conducive to the concept of directly coordinating with the Department of Agriculture, much less the House Agricultural Subcommittee on issues of domestic subsidies that potentially undermine security efforts within particular AORs. Yet, Army doctrine clearly recognizes that economic issues, to specifically include agricultural sector issues, are relevant to military operational success. However, the SOUTHCOM Commander is responsible for conducting joint operations, thus joint doctrine should be the most applicable solution for solving problems within his designated area of operations.

Current joint doctrine has yet to address stability operations as directly as Army doctrine. The joint publication that most closely mirrors the Army Field Manual on Stability is Joint Publication (JP) 3-07, *Joint Doctrine for Military Operations Other than War (MOOTW)*. The United States Joint Forces Command last updated JP 3-07 nearly 14 years ago, in 1995. However, by examining JP 3-07, one can begin to glean the joint doctrinal approach to military missions outside the scope of traditional combat, such as nation building and combating terrorism.

JP 3-07 outlines six specific principles for military operations other than war, or MOOTW.[39] Two of the six principles are unity of effort and legitimacy. In describing the principle of unity of effort, JP 3-07 states, "achieving unity of effort is often complicated by a variety of international, foreign and domestic military and non-military participants, the lack of definitive command arrangements among them, and varying views of the objective. This requires that JFCs [Joint Force Commanders], or other designated directors of the operation, rely heavily on consensus building to achieve unity

of effort."[40] Thus, joint doctrine recognizes that MOOTW, to include stability focused operations, will inherently require Joint Force Commanders to interact with non-military agencies to work together for a common purpose. However, JP 3-07 does not dictate the methods for such commanders to influence non-military actors to achieve unity of effort. JP 3-07 also specifically addresses the principle of legitimacy when conducting joint military operations. "Legitimacy is a condition based on the perception by a specific audience of the legality, morality, or rightness of a set of actions. This audience may be the US public, foreign nations, the populations in the area of responsibility/joint operations area (AOR/JOA), or the participating forces."[41] JP 3-07 goes on to state, "Legitimacy may depend on adherence to objectives agreed to by the international community."[42] Thus, JP 3-07 certainly recognizes that in order for military operations to be successful, a Joint Force Commander must not only be acting in concert with non-military agencies, but he or she must also be acting with a perceived level of legitimacy from the perspective of both domestic and international populations.

Although, JP 3-07 is the applicable publication for a Joint Force Commander, such as the SOUTHCOM Commander, one must consider the most recent military doctrine as well, to include FM 3-07 and FM 3-24 (although FM 3-24 is more joint service in nature, as it is also a United States Marine Corps Warfighting Publication, MCWP 33.3.5). Such consideration is necessary for two reasons. First, Army doctrine is the most recent and thus incorporates the most up-to-date military inculcations for supporting national strategic ends, to include the long war. Second, joint commanders must recognize the doctrine used by military branches to train servicemembers for operations, to include stability and counterinsurgency operations, prior to their arrival

within a joint operating environment. Therefore, although this paper addresses SOUTHCOM specifically, the newest doctrine, while not joint doctrine, is useful for formulating timely and relevant solutions to current military problems.

Conclusion

National strategic documents reflect a Liberalist approach to free trade agreements and trade liberalization. This approach is reflected in United States military doctrine, as well as in the SOUTHCOM Commander's comments to Congress. The preponderance of academic research confirms that trade liberalization leads to economic growth and that economic growth leads to stability. Army doctrine further establishes a link between stability and success in the "long war" in relation to preventing extremist idealism and protecting the security interests of the United States. However, neither civilian nor military leaders appear to have established a viable method for overcoming domestic political impediments and protectionist agendas that oppose free trade agreements. This limits the unity of effort or "whole government approach" that FM 3-07 recommends for achieving stability through elements of national power to include economic ways and means.

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[1]Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy* (New York: Pearson Education, Inc., 2008), 8.

[2]Ibid., 10.

[3]Ibid., 8.

[4]Federal Reserve Bank of Dallas, "David Ricardo: Theory of Free International Trade," under "Economic Insights," http://www.dallasfed.org/research/ei/ei0402.html (accessed March 24, 2009).

[5]Oatley, 9.

[6]Fitzgerald, 38.

[7]Ibid.

[8]Ibid.

[9]Ibid.

[10]Ibid.

[11]Diego Sanchez-Ancochea, "Trade Liberalization and Economic Integration in the Americas: Causes and Consequences," *Latin American Politics and Society* 48 (Summer 2006): 180.

[12]The White House, *National Security Strategy of the United States of America* (Washington, DC: Government Printing Office, 2006): 4

[13]Ibid., 27

[14]Ibid.

[15]Ibid., 25.

[16] Ibid., 28.

[17]Daniel Ikenson, "While Doha Sleeps: Securing Economic Growth Through Trade Facilitation," *Center for Trade Policies,* http://www.freetrade.org/pubs/pas/tpa-037.pdf (accessed February 19, 2009).

[18]Ibid.

[19]Francisco Rodriguez and Dani Rodrik, "Trade Policy and Economic Growth: A Skeptics Guide to the Cross-National Evidence," (May 2000): 2, http://ksghome.harvard.edu/~drodrik/skepti1299.pdf (accessed April 27, 2009).

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[21]Ibid.

[22]Ibid., 28.

[23]Ibid.

[24]Ibid.

[25]Colin L. Powell, Christopher M. Warren, Lawrence S. Eagleburger, James A. Barber III, George P. Shultz, Alexander M. Haig, Jr., and Henry A. Kissinger, "Former Secretaries of State for CAFTA," http://www.usemb.gov. do/CAFTA-Secretaries-of-State-Letter.pdf (accessed February 18, 2009).

[26]Yi Feng, "Democracy, Political Stability, and Economic Growth," *British Journal of Political Science* (July 1, 1997), http://www.accessmylibrary.com/ coms2/summary_0286-297524_ITM (accessed February 18, 2009).

[27]Ibid.

[28]Ibid.

[29]Ibid.

[30]The White House, *National Security Strategy of the United States of America*, 2006, ii.

[31]Ibid.

[32] Department of the Army, FM 3-07, *Stability Operations* (Washington, DC: Government Printing Office, 2008), vi.

[33]Ibid., 1-11.

[34]Ibid.

[35]Ibid., 3-17

[36]Ibid., 1-18

[37]Ibid., 1-4

[38]Department of the Army, FM 3-24, *Counterinsurgency* (Washington, DC: Government Printing Office, 2006), 2-6.

[39]United States Department of Defense, Joint Publication (JP) 3-07, *Joint Doctrine for Military Operations Other Than War* (Washington, DC: Government Printing Office, 1995) II-1.

[40]United States Department of Defense, JP 3-07, II-3.

[41]Ibid., II-5.

[42]Ibid.

CHAPTER 3

RESEARCH METHODOLOGY

Introduction

This thesis examines the connection between national security interests, particularly in relation to the SOUTHCOM AOR, and domestic agricultural subsidies. To establish this correlation, a number of relationships require clarification and development. First, this thesis must establish the national security interests of the United States and particularly those interests relative to the SOUTHCOM AOR. Second, this thesis must identify the United States government's approach to international trade and the feasibility of free trade agreements in promoting stability. Third, this thesis must develop the current relationship between Combatant Commanders and government leaders in reference to matters that affect military operations, but do not traditionally fall within the realm of responsibility for the Department of Defense. Finally, this paper must examine the current situation and potential problems in order to develop reasonable recommendations.

The Process

The first step, analyzing the role of the SOUTHCOM Commander for influencing domestic policies, such as agricultural subsidies, was to gather supportive documents to analyze and establish the relationship between domestic agricultural subsidies and the SOUTHCOM AOR, specifically in relation to pursuing the *National Security Strategy*. To fully develop the situation, this thesis analyzed the SOUTHCOM Commander's statements and espoused mission and goals to determine the correlation and potential

discrepancies in relation to the *National Security Strategy*, *National Military Strategy, National Strategy for Combating Terrorism*, and other national policy documents and statements. This step was vital to a proper understanding of the SOUTHCOM Commander's role in relation to the United States government's strategy and how the SOUTHCOM AOR fits into the larger picture. In essence, this thesis could not reach reasonable conclusions or make appropriate recommendations if it considered the SOUTHCOM AOR in a vacuum, independent of strategic considerations and impacts outside of the AOR. Thus, by considering United States national strategic goals and policies, this thesis was able to determine the SOUTHCOM Commander's role in supporting national interests through actions within his own AOR.

After determining the national interests concerning the SOUTHCOM AOR, this thesis examined the United States government's political and economic policies regarding free and fair trade and free trade agreements. To fully develop this topic, this thesis not only looked at the statements of government officials, but also the framework of free trade agreements in which the United States participates, specifically the free trade agreements that most significantly impact the SOUTHCOM AOR. Additionally, this thesis examined the United States' official policies regarding free trade and the role of trade liberalization in supporting the *National Security Strategy*. This step of the process required a development of the legitimacy for free trade agreements to positively impact stability. To do this, this thesis examined the theoretical framework and statistical evidence regarding free trade and increased stability. This required establishing whether stability is tied to economic growth and how such a possible correlation manifests itself in political outcomes and economic data. Next, this thesis examined the relationship

between economic growth and trade liberalization to determine the ability for trade liberalization policies to impact future economic growth for participatory nations. Finally, this thesis examined the impacts of free trade agreements on trade liberalization for signatory nations. This theoretical framework and supporting evidence was vital for establishing the validity of free trade agreements as an effective tool for managing the economic element of national power and its diplomatic and military implications. After developing this framework and confirming or denying its validity, this thesis examined its actual implementation given the political realities within which such agreements must operate.

To measure the actual impacts of free trade agreements on the SOUTHCOM AOR, this thesis had to determine the incongruence between stated policy and realized implementation of free trade and trade liberalization principles. Included in this step was the necessity to examine trends in military doctrine in terms of economic principals and military operations. This involved examining current military doctrine regarding stability focused operations which dominate the United States military operations within the SOUTHCOM AOR, as well as current doctrine regarding the military's focus on the "long war" and combating terrorist activities. This thesis also examined discrepancies between free trade agreements and apparent distortions that could potentially prevent trade liberalization from materializing. Such discrepancies impact the ability of the Combatant Commander to effectively integrate the military element of national power with other elements of national power if such agreements do not jibe with the United States government's stated strategy and policies.

Next this thesis developed the current relationship between Combatant Commanders and government leaders in reference to matters that affect military operations, but do not traditionally fall within the realm of responsibility for the Department of Defense. In order to make proper recommendations, this thesis needed to determine what the authorized and practiced roles of Combatant Commanders are for addressing issues that impact their operations, but do not fall within their authority. Documents such as the *National Security Presidential Directive #44* and Joint Publications (JPs) provided the most current information, and demonstrate the evolving nature of the Combatant Commander's role.

Finally, this thesis examined the current situation and associated or potential problems in order to develop reasonable recommendations. This step was a vitally important aspect, due to the synthesizing and analysis of information to provide feasible recommendations for improvements or determining if the current system is the most acceptable approach given political implications and structural limitations. Therefore, this thesis's recommendations considered not only the optimal approach to resolving potential conflicts, but also the most realistic solutions given current political and military relationships and concerns.

The Approach to Research

The research process for this thesis relied on a case study approach and the theoretical framework for using free trade agreements to increase international stability and domestic security. The two primary cases were the Brazil grievance process in the WTO concerning United States domestic cotton subsidies and the impact of the United States' domestic corn subsidies in relation to NAFTA. The case study approach was

appropriate for a number of reasons. First, NAFTA and the WTO are two free trade agreements in which the United States participates. However, the two agreements are quite unique in comparison to one another. NAFTA is a regional agreement with specific regional goals and limited participants. Additionally, the agricultural agreements between NAFTA participants are bilateral in nature. NAFTA is also a relatively new free trade agreement, with participating nations continuing to gradually implement some of the original provisions. Conversely, the WTO is a global free trade organization with a much larger pool of participants. The WTO, with its GATT precursory form, is considerably older than NAFTA and has survived numerous revisionary rounds intended to alter and improve the structures of agreements so as to effectively address the concerns of participating nations. Second, free trade agreements are not only economic instruments, but also political instruments for pursuing national aims. By examining two case studies, diverse in nature, the research method is less prone to influence by a single overarching issue or concern within a particular agreement. Additionally, the case study approach is a reasonable method for this thesis to consider qualitative results from free trade agreements. Although NAFTA or the WTO may produce some positive economic results for particular segments of affected societies, the case study approach accounts for the response of activist groups and political organizations that may be influential and provide feedback that statistics do not account for in a quantitative manner. Finally, the case study approach allowed for a reasonable amount of breadth, as well as a significant level of depth.

To accurately ascertain the impacts of free trade agreements in relation to stability and security this thesis examined the underlying theoretical framework. This entailed the

establishment of the relationships between stability, economic growth, trade liberalization, and free trade agreements. Next, this thesis attempted to validate this framework in application, as economic models that are theoretically sound within a vacuum void of political realities may not hold true when applied in a dynamic international community with often conflicting political and military interests. This thesis preferred an examination of the theoretical framework over econometric or regression modeling due the confluence of political, economic, and military factors involved.

This thesis intended to determine the impact of domestic agricultural subsidies on trade liberalization within the SOUTHCOM AOR and the appropriate response of the Department of Defense, specifically the Combatant Commander. Thus, while a comprehensive regression to account for the independent variables that affect stability and economic growth might have provided evidence for how a nation might ideally pursue such ends, this thesis was not intended to provide such a model. Whether an all-encompassing regression could produce a statistically reliable prescriptive formula capable of guaranteeing stability or economic growth is unlikely, but this thesis did not intend to establish such. This thesis only desired to establish the relationships between stability, economic growth, trade liberalization, and free trade agreements to support or deny the validity of national strategic ways that rely on such relationships and the associated implications for the SOUTHCOM AOR. Therefore, this thesis relied upon available existing research to determine the effectiveness of free trade agreements to increase stability and examined the assumptions and necessary relationships between the two. After establishing the necessary relationships needed to examine the ability of free

trade agreements to impact international stability and domestic security, this thesis then applied the results to the SOUTHCOM AOR using the free trade agreements and associated trade distortions of domestic agricultural subsidies in order to make recommendations specifically tailored to meet the objectives of the SOUTHCOM Combatant Commander.

CHAPTER 4

ANALYSIS

This chapter will examine the relationship between domestic agricultural subsidies and national security objectives within the SOUTHCOM AOR. First, this chapter will examine the impact of free and fair trade relative to creating or sustaining a stable environment conducive to United States interests, specifically within the SOUTHCOM AOR. If this relationship does exist, this paper will then examine the purported positive impacts of domestic agricultural subsidies. Next, such positive impacts must be contrasted in relation to negative impacts in order to provide a reasonable basis for conclusions and recommendations.

Trade Liberalization and National Security Interests

In chapter 2, this thesis introduced the theoretical framework for the positive impact of trade liberalization on economic growth. Studies by Sachs and Warner and subsequently by Welch and Wacziarg confirm the statistically significant positive correlation between trade liberalization and economic growth which the majority of the academic community appears to embrace. Such findings support the theoretical framework and Liberalist concepts Edmund B. Fitzgerald presented in his book *Globalizing Customer Solutions: The Enlightened Confluence of Technology, Innovation, Trade, and Investment.* In his book, Fitzgerald argues that technological innovation has decreased the costs of international trade to a degree that developed nations now operate within a global economy of ever-increasing interdependence. This "globalization" has provided national economies the abilities to "convert global inputs into outputs for global

markets as efficiently and profitably as possible."[1] In essence, technology has reduced the costs of trade to a level that allows each nation to specialize in goods for which they possess the greatest relative advantage for production and trade with other nations doing the same, achieving a more Pareto efficient production and trade environment. Thus, when trade liberalization successfully promotes truly free and fair trade between participatory nations, macroeconomic principles regarding profit maximization, or more specifically maximization of total utility, dictate each economy will utilize trade to gain the greatest benefits available from efficient international markets. However, most nations do not seek maximum market efficiency for political reasons.

The United States espouses a desire to increase trade liberalization as a fundamental of ensuring national security. Thus, trade liberalization for purely economic ends such as maximum market efficiency on a global scale is not the United States' goal, due to such factors as national security. The following hypothetical example demonstrates why market efficiency is not always the most desirable outcome of international relations, even for democratic societies operating within the construct of predominantly free market forces. A company within the United States might possess advantages in technical expertise for designing a particular system critical to national defense that requires specific skills to design but is easy to manufacture once developed, perhaps a weapon system. However, a foreign market might possess an advantage in manufacturing the system due to lower labor costs. In an efficient market, the company would utilize domestic labor to conduct research and development, while utilizing foreign labor markets to reduce production costs and maximize profits. Yet, complete efficiency in free trade might not be the most desirable condition from the United States'

perspective. If the weapons system was critical to national security, the United States government would likely desire domestic control of production despite higher production costs, due to the potential implications on national security and foreign policy options. This hypothetical example is quite simplistic, yet demonstrates that trade liberalization is not an end a nation should pursue independent of context. All nations place limits on their free trade agreements to protect vital interests.

Chapter 2 also examined current academic research regarding economic growth and correlated impacts for stability. Dr. Feng presented findings that confirm the statistically significant positive correlation between economic growth and stability. However, his findings did not support a statistically significant positive correlation between economic growth and increases in democratic governance and values. Dr. Feng's findings appear consistent with other findings regarding the relationships between economic growth, democracy, and stability. Similar to the research examining trade liberalization and economic growth by Welch and Wacziarg, Feng's research does not present an unfailing model for guaranteed results, only statistical significance for a positive correlation, meaning the independent variable historically impacted the dependent variable in a reasonably consistent fashion. Such findings support the Liberalist agenda the Executive Branch claims to pursue in national strategic documents and which current military doctrine supports. However, due to the political impacts of such trade liberalization efforts, not all free trade agreements necessarily ensure economic growth or stability. Therefore, further examination of the United States' use of free trade agreements and impacts for the SOUTHCOM AOR is prudent.

Trade Liberalization Relative to the SOUTHCOM AOR

The United States espouses its desire to use economic means for achieving increased international stability and domestic security. The *National Security Strategy* focuses on championing economic growth within the international community, with a chapter entitled, "Ignite a New Era of Global Economic Growth through Free Markets and Free Trade," as a method of enhancing national security. The strategy defining document discusses the need for "pressing regional and bilateral trade agreements" and utilizing free trade agreements to open markets, increase the rule of law, and presumably bring more stability to our trading partners.[2] It also directly references CAFTA-DR and quantifies the number of new free trade agreements the United States implemented and negotiated within the past five years.[3] However, as the research models in chapter 2 demonstrate, the impacts of free trade agreements are not guaranteed and in order for free trade agreements to provide a significant impact, the nations involved must have significant levels of trade in relation to overall trade volume, and other political and international macroeconomic factors may counteract the potential positive effects of such agreements. Thus, this thesis examines the actual impacts of free trade agreements within the SOUTHCOM AOR and whether the *National Security Strategy* is accurate in stating that free trade agreements such as CAFTA-DR are supportive of national security objectives.

The military leadership for SOUTHCOM believes economic tools, to include free trade agreements, are instrumental to stability within the SOUTHCOM AOR. The Combatant Commander for SOUTHCOM, Admiral James Stavridis, testified before the United States Congress on March 13, 2008 stating his desire to see free trade agreements

in the AOR, specifically Colombia. He testified, "As your national security advisor in that region, I will tell you that it is very important that the free trade agreement be passed from a national security perspective."[4] This opinion leaves little doubt that the SOUTHCOM Commander believes free trade agreements between the United States and nations within the SOUTHCOM AOR are beneficial for increasing stability within the region. His opinion is well aligned with the findings of Welch and Wacziarg and the findings of Feng this thesis presented in chapter 2. However, this relationship deserves further study to reveal the impacts of current free trade agreements specific to the SOUTHCOM AOR.

CAFTA-DR is a multilateral agreement between the United States and six nations within the SOUTHCOM AOR. According to the United States Trade Representative, an agency within the Executive Branch responsible for coordinating trade policy and advising the President on trade issues, CAFTA-DR is "designed to eliminate tariffs and trade barriers and expand regional opportunities for the workers, manufacturers, consumers, farmers, ranchers and service providers of all the countries"[5] choosing to participate in the multilateral agreement. It is notable that agriculture is a topic of specific mention within the United States Trade Representative's official stance regarding the goals of CAFTA-DR. This thesis will examine the structure of CAFTA-DR in broad terms before focusing specifically on agricultural issues in order to establish the cumulative impacts of the free trade agreement.

The provisions of CAFTA-DR and the timelines for implementation of such provisions are not uniform within the agreement, but rather are industry dependent. Tariffs on 80 percent of consumer and industrial goods immediately disappeared, with

the remaining tariffs due to disappear within the first 10 years of the agreement.[6] The agreement immediately eliminated more than 50 percent of tariffs on agricultural products, with the remaining tariffs scheduled for elimination within 20 years.[7] In addition to tariffs, CAFTA-DR addressed other trade barriers. The agreement contains provisions to reduce corruption and bribery, standardize environmental laws and protections for numerous competitive industries, increase transparency for customs operations, establish a dispute process with public visibility, and provide protections for foreign direct investors.[8] All of these provisions certainly meet the definition of increased trade liberalization and should provide more efficient markets with increased trade and specialization. The long term results are difficult to predict, as the agreement is still in its infancy with respect to implementation. However, the Wacziarg and Welch research indicates the positive impacts of free trade agreements should generally be realized very quickly.

According to the United States Trade Representative, CAFTA-DR has yielded immediately recognizable positive results. Bilateral trade between the United States and CAFTA-DR nations increased by 9.2 percent in 2006, the first year of CAFTA-DR (although only four of the six SOUTHCOM AOR nations were signatories at the time, the Dominican Republic and Costa Rica were actively pursuing membership and thus seeking opportunities to increase trade).[9] United States exports to the four membership nations grew by 18 percent in 2006 and by 16 percent to the six current members; 19 percent for agricultural exports.[10] In comparison, United States' exports for all other nations grew by 14.4 percent in 2006.[11] United States imports from CAFTA-DR nations grew 3 percent in 2006 and 13 percent for agricultural imports.[12] However, United States

imports from other nations grew by 10 percent in 2006.[13] Therefore, the data appear to reveal the short term effects of CAFTA-DR are positive, particularly for United States industries seeking greater export markets and for increasing the ability for lower per capita income nations within Central America and the Dominican Republic to access United States products due to fewer trade barriers and reduced market inefficiencies. However, the positive impacts for significantly increasing the access of CAFTA-DR nations to United States consumers via exports appear limited thus far. This is perhaps an expected trend given the nature of many CAFTA-DR reforms which intend to increase the level of regulation and enforcement to more closely reflect United States standards.

While measuring the effects of CAFTA-DR on imports, exports, and growth in trade is largely quantifiable, other impacts are not easily quantified. The United States Chamber of Commerce espouses the belief that CAFTA-DR can positively impact many political and social issues for participatory nations, such as improving labor laws and enforcement, producing democratic reforms, fostering economic growth, and improving health care, education, and infrastructure through stronger economic stability.[14] Yet, CAFTA-DR has received strong resistance and mixed reviews from numerous governments and protectionist activist groups. Much of this resistance makes specific reference to the impact of United States domestic agricultural subsidies. Domestic corn subsidies in relation to NAFTA guidelines and cotton subsidies in relation to WTO guidelines are often cited examples of the negative consequences of free trade agreements by those who oppose other free trade agreements within the SOUTHCOM AOR. However, the United States presumably has legitimate reasons for providing domestic

agricultural subsidies, particularly given the resulting negative responses from international and domestic parties alike.

Domestic Impacts of United States Agricultural Subsidies in Theory and Reality

Although the United States Congress instituted agricultural committees as early as 1820, domestic agricultural subsidies are a fairly new concept, dating back less than 100 years. While the United States provided funding for agricultural research and land grants for colleges and territorial expansion goals prior to the 1920s, the federal government did not engage in subsidizing farmers for the sake of staple crop production.[15] In the 1920s farmers lobbied some members of Congress to set prices for particular crops, increasing the price for consumers, thereby providing artificially high profits for the crop producers.[16] This attempt at domestic agricultural subsidization, known as the McNary-Haugen bill, passed Congress, however President Coolidge eventually vetoed it.[17] President Coolidge warned against the dangers of disturbing the free market system for determining prices, specifically the tendency for crop subsidies to cause overproduction and subsequent dumping within the international marketplace.[18] The first significant impediment to domestic free market forces within the United States agricultural sector was the creation of the Farm Board in 1929.

President Hoover signed legislation creating the Farm Board in an attempt to raise income levels for farmers of particular agricultural products.[19] By creating artificially high prices without controlling production, the Farm Board created market anomalies inconsistent with economic models of supply and demand. If a farmer normally produced non-subsidized crops for sale at market prices, he or she now had an incentive

to produce corn or cotton. Thus corn and cotton production soared at the expense of other crops. Because the federal government set a price floor for cotton and corn, it subsequently purchased excess production at artificially high prices using tax revenues.[20] The United States government now owned agricultural surpluses with no domestic market demand. The federal government, seeking some compensation for its newly acquired agricultural stores dumped the domestic agricultural excess in the international market and created excess supply at artificially low prices, thereby harming foreign corn and cotton farmers.[21] Within two years, the Farm Board exhausted its initial 500 million dollar budget, at the time the largest non-defense budgetary expense in United States history.[22] The first attempt by the United States government to implement domestic agricultural subsidies was, by most accounts, a disaster.

The second attempt at domestic agricultural subsidies was President Franklin Roosevelt's 1933 Agricultural Adjustment Act (AAA).[23] The AAA aimed to address the excess supply and dumping shortcomings of the Farm Board by matching artificially high prices with artificially low supply.[24] The United States government set prices for cotton and some forms of livestock, while simultaneously limiting supply by paying farmers not to use some land for production and buying livestock for destruction to limit actual consumption within the marketplace. The AAA expanded to include other crops, such as tobacco, to encourage more sustainable crops that were less damaging to the soil.[25] The AAA intended to prevent the overproduction of certain staple crops the Farm Board programs had previously encouraged, diversify crop production, and encourage soil conservation, while protecting the income of farmers who chose to diversify into the production of previously unfamiliar crops.

The AAA produced unintended consequences, but did provide results more positive than the Farm Board was able to produce. Negatively, the federal government paid wealthier land owners who previously leased land to tenant farmers to instead let their land remain idle, thus providing less work to poorer non-landowning farmers, particularly black tenant farmers.[26] Therefore, the poorest farmers were least likely to benefit, while wealthier farmers had the most to gain. Like all subsidies, many interpret the consequences on the marketplace and government induced wealth transfers to be negative impacts.

However, other impacts appear to be more positive. First, the diversification of crops led to better soil conservation. Second, when production was high for a given subsidized crop, the federal government bought and stored excess to prevent dropping prices and reduced income for farmers. Then, if production for such a crop fell in subsequent years, the stored excess provided lower prices for consumers. In essence, a leveling of supply and prices could prevent oscillations in free market prices for goods essential to American consumers within all income brackets, such as wheat for bread or cotton for clothing. Third, limited production levels reduced dumping in the international market, thereby negating many of the negative implications for foreign farmers. However, the AAA, regardless of its positive or negative consequences, was part of the "New Deal" legislation targeting the agricultural sector of an economy in crisis. Yet agricultural subsidies have since remained a constant in the United States, regardless of economic conditions.

Various circumstances and resulting effects have provided reasons for perpetuating agricultural subsidies. The House Committee on Agriculture admits that

subsidies distort trade and production resulting in inefficient resource allocations.[27] However, the Committee notes, "Arguably, subsidies may be justified on grounds that they adjust for nonmarket considerations that are as important as market values."[28] Nonmarket considerations may be justifiable from a political or security standpoint. The hypothetical example of defense weapons systems production earlier in this chapter is an example. The same argument might be reasonable for particular agricultural goods. The United States may want to ensure that domestic production capabilities do not dwindle in response to cheaper like products available in the international market. Such production capabilities could presumably prevent political or military leverage by nations who gained a predominant share of the market for commodities such as corn or cotton which the United States government deemed vital for the citizens' basic needs. This argument is similar to many pundits' arguments regarding the United States' dependency on oil from particular supplier nations. This argument is reasonable, yet seems unlikely to apply in regards to cotton trade with Brazil or corn trade with Mexico.

The United States is an exporter of corn, not an importer. The United States has been the leading exporter of corn throughout NAFTA's lifespan, never accounting for less than half of global corn exports.[29] Additionally, the United States does not depend on any foreign corn production to meet domestic needs. The United States consumes an average of 85 percent of domestically grown corn, leaving a 15 percent surplus for export.[30] Additionally, corn is evolving as an energy alternative, providing more strategic importance. Therefore, arguments in favor of subsidizing domestic corn include the need to prevent shortages for domestic consumption and perhaps future viable alternatives to energy imports.

The United States is also an exporter of cotton. The United States accounts for nearly one-third of global cotton exports and does not depend on any foreign cotton production to meet domestic needs.[31] However, unlike corn, the United States consumes less than 30 percent of domestically produced cotton, leaving a sizable excess of production for export.[32] Brazil produces approximately 6 percent of global cotton supplies, while importing less than 1 percent of the world market for cotton exports.[33] Over the past three years, Brazil exported approximately one-third of its cotton and milled approximately two-thirds.[34] Therefore, Brazil must compete not only with United States cotton exports, but also the milled cotton textile goods other nations produce with cotton they import from the United States.

The United States Department of Agriculture describes cotton as, "the single most important textile fiber in the world, accounting for nearly 40 percent of total world fiber production."[35] Thus, the United States government could feasibly desire to maintain an excess domestic production capability to assure a reliable textile resource pool. The consumption of domestic cotton likely does not reflect the United States actual demand for cotton. China consumes more than one-third of the world's cotton, presumably for production of finished goods that are later exported back to the United States.[36] Thus one could view cotton subsidies, like corn subsidies, as necessary to maintain domestic production levels as a counter to future threats that might impact the United States' access to vitally important resources.

It is certainly understandable that the United States government, specifically the House Agricultural Subcommittee, is protective of particular agricultural sectors, such as the cotton industry. Cotton is an important economic contributor in states such as

California and Texas, but considered a staple crop for many southeastern states, such as Georgia and Louisiana.[37] Approximately 70 percent of domestic cotton production is for export.[38] Therefore, if the United States is coerced to comply with the WTO subsidization standards, the domestic cotton industry will likely suffer from the increased competition with international cotton producers. Such compliance would significantly impact United States cotton farmers and United States cotton exports to foreign markets. Analysts estimate the drop in United States cotton production, if the United States reduced or eliminated subsidies to comply with WTO standards, would be 15 to 20 percent from its current level.[39] The impact would be particularly devastating for economies which rely heavily upon cotton farming, such as North Carolina, Georgia, and Louisiana. Of the 16 committee members for the House Agricultural Subcommittee, two are from California, two are from Georgia, three are from North Carolina, one is from Alabama, and one is from Texas.[40] Thus, nine of the 16 members are from five of the top seven cotton producing states.[41] Because members of the committee represent constituents whose economic well-being is closely tied to the cotton industry, the Agricultural Subcommittee cannot reasonably be expected to give greater consideration to the benefits of WTO subsidy agreements for South American cotton farmers than to the concerns of their own constituents. However, the repercussions of non-compliance to WTO standards are detrimental, both economically and politically, for the United States as a whole.

Under WTO guidelines, if the United States fails to comply with the regulations regarding subsidization of the cotton industry, other nations can respond with increased trade barriers.[42] Under Article 7, Paragraph 7.9 of the Agreement on Subsidies and

Countervailing Measures, countries adversely affected by United States non-compliance can exact economic retribution by creating increased trade barriers for goods they import from the United States.[43] Thus, the impact is threefold for the majority of Americans. First, the federal government extracts tax revenues (an average of $1.6 billion per year)[44] from American businesses and individuals for transfer to cotton farmers concentrated in regions represented by members of the House Agricultural Subcommittee. Second, according to the Congressional Research Service website, businesses and their associated workers and shareholders who generate revenues from goods and services exported to Brazil will suffer from the four billion dollars in retribution authorized by the WTO for the United States' continued non-compliance in regards to cotton subsidies.[45] Brazil is currently the United States' eleventh largest trading partner and ninth largest export market.[46] The two nations conducted more than 63 billion dollars in trade in 2008, with the United States having a 2.4 billion dollar trade surplus.[47] Trade between the United States and Brazil grew more than 50 percent over the past three years, with the United States realizing positive gains in the overall balance of trade with Brazil each year.[48] Therefore, numerous industries that rely on Brazil as a growing market for exports stand to suffer from such retributions, while United States cotton farmers stand to see no change in their export markets. Third, American consumers are negatively impacted from the trade barriers that other nations maintain or heighten in response to frustration with United States agricultural subsidization policies. The impact of such trade barriers is significant, as The Business Roundtable, a group of leading chief executive officers representing companies responsible for nearly half of corporate business taxes in the

United States,[49] estimates existing trade barriers negatively impact the average family in the United States by $7,500 annually.[50]

Defendants of current fiscal policy regarding subsidizing of particular agricultural industries argue that protecting such industries is necessary for protecting American farmers and the micro-economies of some agricultural regions within the United States. However, such fiscal policy ignores the fact that other domestic industries are dependent upon WTO compliance for significant portions of income derived from exports and financial growth. Industries centered upon intellectual property rights and patent protections, such as the pharmaceutical industry, are likely to suffer if United States fiscal policy regarding agricultural subsidies does not change to comply with WTO standards. Continued disregard for WTO standards threatens to undermine the reputation of the United States regarding free and fair trade with negative consequences domestically and abroad.

Similarly, domestic corn subsidies threaten to harm the United States' reputation with adversely affected regional neighbors. Proponents of the United States' fiscal policy for corn subsidization argue that small farms and ranches in the United States benefit from the competitive advantage such subsidies provide. Supporters of domestic corn subsidies argue that such funds are vital to protecting small farmers and ranchers and the "American way of life." However, the facts do not support such a claim.

The Institute for Agriculture and Trade Policy (IATP), a non-profit organization studying how to prevent the loss of small farms on a global level, contends that NAFTA has "facilitated the vertical integration, consolidation, and industrialization of the U.S. livestock sector. At the same time, deregulation has failed to reduce direct government

subsidy payments; failed to increase overall U.S. export market shares; and failed to produce a fair price to farmers or bring economic prosperity to rural communities."[51] The IATP cites a number of trends to support their position. Currently more than 70 percent of corn production in the United States is controlled by two companies, Cargill-Continental and Archer Daniels Midland.[52] Archer Daniels Midland is a publicly traded company with a market capitalization of 29 billion dollars, whose stock price has increased more than 300 percent over the past four years.[53] Cargill-Continental is a privately held company with profits of more than 2.4 billion dollars in 2007, a growth rate of more than 52 percent over 2006.[54] Neither company appears to be in dire straits or dependent on the multi-billion dollar subsidies the United States is supplying to corn producers. The United States Department of Agriculture realizes the trend of corn farming consolidation stating, "While the number of feed grain farms (those that produce corn, sorghum, barley, and/or oats) in the United States has declined in recent years, the acreage per corn farm has risen. Moreover, the number of large corn farms (those with more than 500 acres) has increased over time, while the number of small corn farms (those with less than 500 acres) has fallen."[55] The United States Department of Agriculture continues to be a proponent of corn subsidies, despite the evidence that the benefits of such subsidies continue to consolidate with large agribusinesses, while small corn farms continue to decline.

Somewhat isolated political interests appear to be a concern regarding the United States' agricultural subsidies policy. Three members of the House Subcommittee on Agriculture are from Nebraska and Iowa, two of the top three corn producing states in the United States.[56] Thus, three-fourths of the subcommittee hails from the top cotton and

corn producing states. This is not to imply that congresspersons or lobbyists for large agricultural producers are acting unethically. However, the decisions to subsidize particular industries and the level of fiscal funding for such industries appear to provide potential conflicts of interest for the policymakers tasked with developing the policies and budgets for agricultural subsidies at a national level.

One could argue such corn subsidies impact not only family farmers raising corn, but also industries reliant on corn, such as small meat production facilities. Yet, again the facts appear to demonstrate the majority of meat production is controlled by a small number of large companies. Since NAFTA's implementation, livestock raising farms have largely consolidated, with more than 60 percent of such farms going out of business or being consolidated into larger corporations.[57] Additionally, the beef, pork, and turkey industries are considered "highly concentrated" with concentration ratios in excess of 50 percent.[58] Therefore, not only has the United States' policy of subsidizing domestic corn and cotton production adversely affected foreign producers by altering the market forces of competition internationally, it also appears to exacerbate the ability of domestic firms to vertically integrate and achieve economies of scale that are harmful for the survival of smaller domestic producers. Thus, the argument in favor of subsidies for protecting small farms and allowing family farmers to compete with farmers from lower wage markets, such as Mexico, does not appear to be factually supported due to the continued consolidation and increasing concentration ratios within United States agricultural industries. However, despite the shortcomings of agricultural subsidies domestically, the primary concern for the SOUTHCOM Commander must be the impact within the SOUTHCOM AOR.

Implications of Domestic Agricultural Subsidies
for the SOUTHCOM AOR

Opponents of new free trade agreements between the United States and nations within the SOUTHCOM AOR frequently reference the impact of domestic agricultural subsidies and the negative consequences for United States trading partners. Chapter 1 briefly introduced such opposition and related shifts within Mexico's employment sectors and negative impacts on Brazilian cotton producers. However, the rhetoric is not necessarily consistent with the facts.

Opponents of free trade agreements within the SOUTHCOM AOR reference United States corn subsidies and the negative consequences for Mexican corn farmers. Many argue that increased immigration to the United States is a result of such subsidies displacing Mexican corn farmers who are not well qualified to compete for industrial jobs along the Mexico and United States border. However, statistics reveal that corn farmers in Mexico have not been displaced.

Corn farming has long been a staple crop for many rural regions within Mexico, predating Spanish settlement in the region.[59] Thus, the United States' argument for protecting a traditional way of life is just as applicable to Mexico. Generations of Mexican farmers appear slow to abandon their way of life despite falling profits. The consolidation of corn farms is less pronounced in Mexico than in the United States, as the majority of small corn farmers have continued to farm corn. Corn production in Mexico has remained relatively constant and even increased moderately during the NAFTA era.[60] Since Mexico implemented NAFTA, Mexican corn production has fluctuated mildly, growing an average of approximately 2 percent annually.[61] This lack of significant growth is likely due to the nature of corn production in the rural and often rugged terrain

where most low production corn farmers live and where more than one-third of such production is for personal and family consumption.[62] Also, property rights in Mexico traditionally prevented families from selling farms or expanding their acreage.

Until the Mexican Revolution of 1917 most property was owned by wealthy foreigners. After the revolution, land ownership excluded nearly all foreign ownership and in the 1930s Mexican citizens were allowed to "own" land to farm and earn profits.[63] However, until the 1990s, these "owners" could not sell the land, so generations of families continued to farm the small land plots rather than abandon them, as they could not sell the land or buy more land.[64] Approximately two years prior to NAFTA, Mexican farmers were allowed to sell their land for personal gain. However, with NAFTA came lower tariffs on subsidized United States corn exports. Thus, farmers who traditionally held their land due to lack of alternatives continued to hold their land and farm corn, now with less profitability. Free market principles dictate that the Mexican farmers are inefficient at producing corn and should diversify. The problem for Mexican corn farmers is lack of viable alternatives. International competition from technologically superior competitors and lack of government assistance programs makes diversifying difficult for farmers with experience in producing only one crop. Additionally, the historic and cultural implications of land ownership and corn farming make the prospect of selling the land to invest in education or move into another labor sector a less than desirable option for many Mexican corn farmers. Thus, most Mexican corn farmers continue to farm corn to feed their family while earning lower profits on excess production and living in poverty. Therefore, few Mexican corn farmers are abandoning their farms to immigrate to the United States.

Lack of economic viability for Mexican corn farmers does not necessarily lead to larger portions of younger generations emigrating from Mexico to the United States. Because the land ownership system prior to 1992 prevented expansion of acreage, Mexican farmers could not accumulate enough land to support multiple children and their families when their children were of age to enter the workforce. Therefore, the majority of Mexican farms have traditionally only supported one member of each generation. Because Mexican corn farmers are generally not abandoning or selling their farms, the tradition of all children, save one, leaving the farm has not changed substantially. While immigration patterns of Mexicans entering the United States may have changed during NAFTA, United States corn subsidies causing the displacement of Mexican corn farmers does not appear to be a reasonable culprit.

While United States corn subsidies appear to be harmful to numerous parties, the first order effects regarding stability within Mexico appear minimal. The evidence does not indicate that farmers are being displaced without hope of legitimate work or that they are switching their production to illegal crops to for export to the United States through the black market or to fund terrorist activities. Lower income does mean less taxable income, leading to a central Mexican government with lower revenues to provide social programs. However, no evidence is apparent that Mexico has reached greater levels of instability due to decreases in taxable income among corn farmers. So, while United States corn subsidies appear to undermine the trade liberalization effect of NAFTA for Mexico, and hence limit the economic growth that breeds stability, such subsidies do not appear to cause instability.

United States cotton subsidies are different from corn subsidies in that they are in violation of WTO standards and have greater visibility in the global arena. Chapter 1 introduced the Brazilian case against the United States regarding cotton subsidies which the WTO found to be in violation of agricultural agreements for the organization. Brazil claims such subsidies place Brazilian cotton farmers at a disadvantage in the global cotton market and are therefore against Brazilian interests as a member of the WTO. The United States has appealed the WTO's rulings, but the WTO has consistently ruled the cotton subsidies to be a violation of negotiated agreements. However, the actual effects of such subsidies are not clear.

Despite the WTO grievance, Brazil has a strong cotton industry. Brazil has increased domestic cotton production by 24 percent over the past three years.[65] Meanwhile, United States cotton production has decreased by 19 percent over the same time period.[66] Worldwide cotton production during this time period remained nearly constant, with annual fluctuations never exceeding 5 percent and a total decrease of less than 1 percent, with non-United States production increasing approximately 3 percent.[67] Brazilian cotton exports actually grew by more than 50 percent for this time period.[68] The price of cotton increased more than 2 percent during this time period, indicating sizable growth in revenue for Brazilian cotton farmers, given their increase in production.[69] Increases in Brazilian cotton production indicate disparities in relation to Mexican corn farmers' methods and capabilities.

Brazil has more developed infrastructure and different land ownership traditions that facilitate greater economies of scale for cotton farmers in comparison to Mexican corn farmers. 200 cotton farmers account for more than half of Brazil's cotton

production, as consolidation opportunities combined with previously uncultivated land availability has rewarded efficient producers with greater opportunities.[70] Brazil estimates domestic cotton production would double in the next two years in the absence of United States cotton subsidies.[71] Brazil estimates another 200 million acres are available for cotton farming, but reports farmers are hesitant to invest large amounts of capital to cultivate large tracts of previously dormant acreage due to the drawn out WTO appeals process and uncertainty regarding future cotton prices.[72] Regardless of the political impacts of the United States' continued domestic cotton subsidies, the economic impacts for Brazil do not support an argument for ensuing instability.

The Brazilian cotton industry has grown substantially despite the United States' lack of adherence to WTO agreements. While cotton production has increased in Brazil, market prices have not declined and small farmers have been able to expand their production through realized profits and access to suitable acreage.[73] Greater economic growth for Brazil would certainly result from higher free market cotton prices that are currently artificially low due to United States cotton subsidies. However, economic growth is occurring in Brazil, albeit at a retarded rate. One can only estimate the economic impact of higher cotton prices and increased rates of cultivation for Brazil's economy, but such an impact would most surely be significant and positive. However, Brazil does not present a concern regarding terrorist activities and there is no evidence of retarded cotton growth producing political instability.[74] The negative consequences are more political than economic in regards to potential impacts on regional stability in the future.

Artificial trade barriers limit the benefits of trade liberalization. As outlined in chapter 1, a failure by the United States to comply with WTO standards for agricultural subsidies allows retaliatory measures by Brazil. Therefore, non-agricultural industries may lose the benefits of trade liberalization. Additionally, future free trade agreements meet greater resistance in response to perceived failures of existing free trade agreements. Such second order impacts are of primary concern for the SOUTHCOM Commander.

Impacts on the Combatant Commander

The United States seeks economic growth and stability throughout the world for the purpose of spreading democracy and increasing national security. Although the connection between increased trade liberalization and expansion of democracy is weak at best, free trade agreements provide formal guidelines for trade liberalization and grievance settlement procedures. The *National Security Strategy* notes, "The genius of democracy is that . . . in place of festering grievances, democracy offers rule of law, the peaceful resolution of disputes, and the habits of advancing interests through compromise."[75] It is within this guidance that the SOUTHCOM Commander, Admiral Stavridis, must work to improve stability through military means. However, lack of adherence by the United States to trade liberalization principles provides a perception in the international and domestic communities of a lack of commitment to democratic principles.

Domestic agricultural subsidies are a form of trade barriers. Barriers to trade disrupt trade liberalization and perceptions of democratic principles. While many of the arguments in opposition to new trade agreements with SOUTHCOM nations are not necessarily reflective of actual conditions, the perceptions of negative impacts at home

and abroad are significant. The SOUTHCOM Commander thus faces the reality that national strategic documents stress the importance of trade liberalization and that his mission of stability is enhanced by trade liberalization. However, his efforts to increase trade liberalization measures are hampered by perceptions that free trade agreements are flawed and actually harm the participating nations.

Numerous free trade agreement efforts within the SOUTHCOM AOR have suffered the negative impacts of such perceptions. As chapter 1 indicated, CAFTA-DR met opposition in the United States as well as in Central American nations. Panama and Belize continue to resist membership in CAFTA-DR based on perceived negative impacts of free trade agreements, particularly NAFTA and its impacts on Mexican farmers. The actual impacts of United States domestic agricultural subsidies on its trading partners' populations or particular groups are not as important as perceptions regarding future free trade agreements. Opposition groups with protective political agendas that represent narrow concerns are able to foster significant opposition by bringing attention to the incongruence of such subsidies relative to trade liberalization principles and democratic values. Futhermore, when the United States disregards the findings of free trade organizations, as is the case with the Brazilian WTO grievance, nations are less likely to enter future free trade agreements, as the lack of respect for "rule of law, the peaceful resolution of disputes, and the habits of advancing interests through compromise,"[76] do not appear to automatically accompany free trade agreements. In other words, SOUTHCOM nations might lower tariffs and forfeit protectionist policies only to see lack of reciprocity for trade liberalization by the United States. These multiple concerns, whether actualized in results or exaggerated in rhetoric, undermine the

SOUTHCOM Commander's agenda to further liberalize trade in an effort to enhance stability in the AOR. Such is the case with Colombia.

On November 22, 2006, the United States and Colombia signed the Colombia Trade Promotion Agreement, which they later revised on May 10, 2007 to reflect greater bipartisan commitment.[77] The free trade agreement would open Colombia to United States exports by lowering trade barriers such as tariffs, while the agreement would provide minimal impact for Colombian exports to the United States, as the United States has relatively few tariffs on such imports.[78] Admiral Stavridis has consistently urged Congress to use free trade agreements in Colombia as an economic instrument of power to enhance the military and diplomatic efforts he has led while attempting to increase stability in Colombia. Yet, the agreement has met fierce opposition from lobbyists and within Congress and has yet to be approved by Congress for implementation. Opponents, nearly without exception, reference NAFTA and CAFTA-DR as grounds for opposing a free trade agreement with Colombia. Granted, lobbyists for industries most likely to be affected by more efficient foreign producers will nearly always oppose trade liberalization efforts that allow shifts in labor toward markets of comparative advantage. However, the *National Security Strategy* is based on democratic values such as trade liberalization and free and fair trade. If these core values override protectionist policies, the Combatant Commander should be an integral member of a unified effort of political, economic, diplomatic, and informational efforts. Yet, the political interests that protect the narrow interests of groups such as cotton and corn producers appear to trump such a unified effort. Therefore, the Combatant Commander is forced to execute a policy of using military resources to pursue national policies that are undermined by conflicting

domestic agendas. Given this conflict of interests, chapter 5 will examine the role of the Combatant Commander and make recommendations on how he can most effectively integrate his efforts with other instruments of national power to achieve military objectives such as stability.

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CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter will utilize evidence from previous chapters to determine whether domestic agricultural subsidies are detrimental to free trade and trade liberalization in the SOUTHCOM AOR. Based upon these conclusions, this thesis will examine the role of the Department of Defense, specifically the Combatant Commander, in shaping domestic issues that undermine national defense objectives within a given AOR. Finally, this thesis will present recommendations for the most effective course of action a Combatant Commander, specifically in this case the SOUTHCOM Commander, should pursue to maximize the unity of effort between the military aspect of national power and domestic policies that impact regional security concerns.

Conclusions

Domestic agricultural subsidies are detrimental to free trade and trade liberalization in the SOUTHCOM AOR. There is ample evidence supportive of the theoretical framework regarding the ability of free trade and trade liberalization to positively impact stability for participatory nations. Free trade agreements by definition increase trade liberalization. As outlined in chapter 2, trade liberalization is positively correlated to economic growth with statistical significance for a robust data set. Economic growth is positively correlated to stability with statistical significance for a robust data set. However, historical evidence does not support a strong positive correlation between economic growth and governance displaying traits consistent with

democratic principles. Because domestic agricultural subsidies are by definition barriers to trade they are inherently juxtaposed to trade liberalization and thereby generally limit or reduce the positive impacts of free trade agreements on stability. Additionally, domestic agricultural subsidies are inherently in conflict with the liberal democracy based values of the free market system.

The examples of Brazil's WTO grievance regarding United States cotton subsidies and fierce opposition to NAFTA and CAFTA-DR demonstrate how domestic agricultural subsidies undermine the ability of the United States to fully leverage free trade agreements in support of national security interests. Such subsidies provide political fodder for opponents of free trade agreements, whether foreign or domestic, when opposing future agreements. Domestic corn subsidies have undermined trade liberalization aspects of NAFTA by creating artificially low prices for United States corn exports and providing opponents of free trade agreement renewal and expansion ample rhetoric regarding the harm to farmers affected by artificially low prices. Despite a lack of strong supporting evidence for claims such as increases in emigration, the underlying theoretical framework supports their claims of free trade agreements failing to enhance stability or spread democracy. Additionally, the United States' failure to adhere to WTO agreements regarding domestic cotton subsidies and Brazil's official grievance further undermines the United States' claims that free trade agreements ensure democratic values such as rule of law and peaceful resolution of disputes. Such blatant disregard for adherence to trade liberalization principles by the United States through domestic agricultural subsidies also undermines attempts for future free trade agreements, such as

the free trade agreement with Colombia for which Admiral Stavridis has consistently vocalized his support.

Protectionist practices, such as domestic agricultural subsidies, may be justifiable for particular circumstances. United States agricultural subsidies were originally a federal government response to an economic crisis. However, the subsidies have remained persistent since inception, regardless of economic conditions, negating the original rationale for such trade barriers. Proponents of domestic agricultural subsidies cite the need to protect small farms. However, the ever-increasing consolidation of farms by multi-billion dollar agribusinesses proves that domestic agricultural subsidies are not effective for protecting the small farm. Finally, particular industries may be subject to protectionist policies for reasons of national security. However, the ability for corn and cotton farmers to produce quantities sufficient for domestic consumption, as well as large quantities for export, undermines the argument that trading partners such as Mexico and Brazil could gain political leverage by cutting our access to their resources.

In conclusion, United States domestic agricultural subsidies, such as cotton and corn subsidies, are detrimental to free trade and trade liberalization in the SOUTHCOM AOR. Such subsidies generally prevent full realization of the economic growth and correlated stability that free trade agreements pursue. Additionally, they foster political dissention for further free trade agreements by governments and citizenries in the SOUTHCOM AOR, such as in Panama and Belize, as well as protectionist groups with narrow interests and powerful lobbyist representation. Therefore, the SOUTHCOM Commander is not able to reasonably or effectively leverage the trade liberalization

policies which generally support stability in the SOUTHCOM AOR, or that are well integrated with a unified national strategy.

Recommendations

The SOUTHCOM Commander is responsible for military missions within the SOUTHCOM AOR. According to JP 1, dated May 14, 2007, "The President, through the SecDef [Secretary of Defense] and with the advice and assistance of the CJCS [Chairman of the Joint Chiefs of Staff], establishes combatant commands for the performance of military missions."[1] However, JP 1 also recognizes the SOUTHCOM Commander as an expert regarding strategic issues relative to his assigned AOR. As such, JP 1 tasks the SOUTHCOM Commander as a principal advisor for the President, through the Chairman of the Joint Chiefs of Staff (CJCS) and Secretary of Defense, to "provide guidance and direction through strategic estimates, command strategies, and plans and orders for the employment of military force."[2] In order to provide valid and relevant strategic estimates, the SOUTHCOM Commander must examine how the United States should most effectively integrate his efforts with other instruments of national power to achieve national strategic objectives such as stability.

Admiral Stavridis appears acutely aware of the United States' need to integrate economic and military efforts to achieve strategic ends. His posture statements to Congress in 2007 and again in 2008 explicitly reference the ability of free trade agreements to positively impact stability in the region. In 2007 Admiral Stavridis stated, "We have a unique and valuable opportunity to strengthen our economic ties to Colombia, Peru, and Panama through the passage of Free Trade Agreements with these key friends to foster economic security, stability, and prosperity there."[3] He reaffirmed

his position in 2008 stating, "The Free Trade Agreements we have with our partners in the region help facilitate this beneficial exchange and contribute to the demonstrated growth of all our economies, thus contributing to security and stability."[4]

Admiral Stavridis' comments are well aligned with the findings this thesis outlined in chapter 2. He recognizes the potential for the United States to use trade liberalization, such as free trade agreements, to facilitate economic growth for nations in the SOUTHCOM AOR. He additionally recognizes the ability for such economic growth to increase stability in the AOR, particularly within the participatory countries. He also limits his optimism to increased stability, as he does not tie trade liberalism and economic growth to increases in democratic governance. Thus, his comments closely reflect the academic research this thesis previously referenced. Yet his concerns appear to be minimally impactful regarding action by Congress.

The *National Security Strategy* defines the policy of the United States, "to seek and support democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world."[5] However, this goal is ultimately in support of a greater goal, "to provide enduring security for the American people."[6] Thus, Admiral Stavridis must follow commander's intent when pursuing stability within his AOR. While increased free trade agreements would likely increase stability in the SOUTHCOM AOR, the ability of such stability to impact United States security must be of paramount concern.

The United States' continued domestic agricultural subsidies appear to undermine the ability of free trade agreements to effectively increase stability in the SOUTHCOM AOR. However, such subsidies do not appear to create dangerous levels of instability.

Thus, while the economic and diplomatic instruments of national power may not be well integrated with the military instrument of national power in regards to fully leveraging free trade agreements to foster stability in the SOUTHCOM AOR, domestic agricultural subsidies do not appear to directly or indirectly threaten the security of the American people by creating dangerous levels of instability within the SOUTHCOM AOR.

Agricultural subsidies are a portion of the United States federal budget. The budget, as a function of the legislative branch, is theoretically a reflection of the voting populace's cumulative desires. The SOUTHCOM Commander is not elected, nor is he responsible for determining domestic policy. He is expected to provide candid advice to the CJCS and elected government officials regarding national security concerns relative to his assigned AOR. Therefore, he should provide accurate assessments to the United States Congress regarding all aspects of national power relative to his assigned mission in the SOUTHCOM AOR. Additionally, he should utilize his assigned chain of command to provide the CJCS and Executive Branch his most accurate assessment of potential ways and means for achieving success in his AOR. However, the SOUTHCOM Commander must be cognizant of the political implications of his comments.

Domestic agricultural subsidies and free trade agreements within the SOUTHCOM AOR are politically contentious issues. As such, the SOUTHCOM Commander must be aware of the implications of his comments regarding support or dissuasion for such policies. He must provide candid advice, yet remain apolitical to the greatest extent possible. He must however become more aggressive in his approach when domestic policy decisions negatively impact the situation within his assigned AOR to the extent such decisions begin to threaten the security of the American people.

The SOUTHCOM Commander is expected to provide military expertise and sound strategic security advice regarding matters within the SOUTHCOM AOR. As such, he must be a regional expert. However, as an unelected military leader, he should remain politically astute and refrain from becoming actively involved in political matters that do not directly threaten national security. While he may have strong, sound, and well supported opinions regarding domestic policies that might improve stability within his assigned AOR, he must place his faith in the elected political officials responsible for balancing national security concerns with domestic issues. The SOUTHCOM Commander must seek to maximize the effectiveness of military efforts within the SOUTHCOM AOR, integrating such efforts with other elements of national power as coherently as possible, while working within the construct of the democratic process which results in domestic policies that may limit his ability to most effectively pursue strategic and operational goals within his assigned AOR. He must provide Congress and his chain-of-command with an accurate assessment of how domestic policies influence his mission and his AOR. However, until domestic agricultural subsidies pose a threat to national security, the SOUTHCOM Commander should continue to limit his efforts to influence such policies, even though the success of his assigned mission may suffer as a result. While his mission and responsibilities are significant, the national leadership remains responsible for balancing diverse interests to achieve the greatest overall strategic success..

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